

September 2014

Amity Fire District/2742
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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



September 2014
Amity Fire District/2742

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



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Amity Fire District/2742

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Amity Fire District -- #2742

September 2014

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Executive Summary

Milliman has prepared this report for Amity Fire District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Amity Fire District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Amity Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.62%	13.02%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(5.43%)	(5.43%)	(5.43%)	(5.43%)	(5.43%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.49%	10.89%	15.49%	5.20%	9.31%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.02%	11.42%	16.02%	5.65%	9.76%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Amity Fire District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$76,293	\$101,583
Allocated pre-SLGRP pooled liability/(surplus)	(19,440)	(19,659)
Transition liability/(surplus)	(58,434)	(59,374)
Allocated pooled OPSRP UAL	7,115	6,993
Side account	0	0
Net unfunded pension actuarial accrued liability	5,534	29,543
Combined valuation payroll	100,623	99,215
Net pension UAL as a percentage of payroll	6%	30%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(5.43%)	(5.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,393	\$2,082
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	94,955	16,731	17.89%	93,622	16,749
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		94,955	16,731		93,622	16,749
Total		\$94,955	\$16,731		\$93,622	\$16,749
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			17.62%			17.89%
Aggregate (Default)			17.62%			17.89%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$59,374)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.44%)
B. Actual employer payroll	47,527
C. Payment to transition liability/(surplus)	(2,585)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.23%)
B. Actual employer payroll	48,900
C. Payment to transition liability/(surplus)	(2,558)
4. Supplemental payment to transition liability	0
5. Interest	(4,203)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$58,434)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(58,434)	(59,374)
2. Combined valuation payroll	100,623	99,215
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.43%)	(5.31%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	100,623	99,215
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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Portland, OR 97204-3654
503 227 0634

September 2014

Arch Cape Water-Sanitary District/2631
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Arch Cape Water-Sanitary District/2631

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Arch Cape Water-Sanitary District/2631

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Arch Cape Water-Sanitary District -- #2631

September 2014

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Executive Summary

Milliman has prepared this report for Arch Cape Water-Sanitary District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Arch Cape Water-Sanitary District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Arch Cape Water-Sanitary District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.39%	13.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.34%)	(5.34%)	(5.34%)	(5.34%)	(5.34%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.16%	13.16%	16.28%	7.10%	11.21%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.69%	13.69%	16.81%	7.55%	11.66%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Arch Cape Water-Sanitary District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$93,630	\$123,227
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(70,602)	(72,117)
Allocated pooled OPSRP UAL	8,731	8,483
Side account	0	0
Net unfunded pension actuarial accrued liability	31,759	59,593
Combined valuation payroll	123,488	120,354
Net pension UAL as a percentage of payroll	26%	50%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.34%)	(5.32%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,709	\$2,525
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$72,309	\$11,128	15.80%	\$70,772	\$11,182
Tier 2 General Service	10.57%	51,179	5,410	10.58%	49,582	5,246
Total General Service		123,488	16,538		120,354	16,428
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$123,488	\$16,538		\$120,354	\$16,428
Employer normal cost rate						
General Service			13.39%			13.65%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.39%			13.65%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$72,117)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.87%)
B. Actual employer payroll	58,776
C. Payment to transition liability/(surplus)	(3,450)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.28%)
B. Actual employer payroll	59,522
C. Payment to transition liability/(surplus)	(3,143)
4. Supplemental payment to transition liability	0
5. Interest	(5,078)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$70,602)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(70,602)	(72,117)
2. Combined valuation payroll	123,488	120,354
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.34%)	(5.32%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	123,488	120,354
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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



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Portland, OR 97204-3654
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September 2014

Aumsville Rural Fire Protection District/2602
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Aumsville Rural Fire Protection District/2602

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Aumsville Rural Fire Protection District/2602

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Aumsville Rural Fire Protection District -- #2602

September 2014

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Executive Summary

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

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Aumsville Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Aumsville Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.83%	10.57%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.04%)	(6.04%)	(6.04%)	(6.04%)	(6.04%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.90%	9.64%	16.69%	6.40%	10.51%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.43%	10.17%	17.22%	6.85%	10.96%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Aumsville Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$153,499	\$168,411
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(130,924)	(130,192)
Allocated pooled OPSRP UAL	14,314	11,593
Side account	0	0
Net unfunded pension actuarial accrued liability	36,889	49,812
Combined valuation payroll	202,450	164,485
Net pension UAL as a percentage of payroll	18%	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.04%)	(7.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,802	\$3,451
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	38,896	4,111	10.58%	38,369	4,059
Total General Service		38,896	4,111		38,369	4,059
Tier 1 Police & Fire	17.62%	59,553	10,493	17.89%	58,673	10,497
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		59,553	10,493		58,673	10,497
Total		\$98,449	\$14,604		\$97,042	\$14,556
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			17.62%			17.89%
Aggregate (Default)			14.83%			15.00%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$130,192)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.14%)
B. Actual employer payroll	78,931
C. Payment to transition liability/(surplus)	(4,057)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.80%)
B. Actual employer payroll	96,409
C. Payment to transition liability/(surplus)	(4,628)
4. Supplemental payment to transition liability	0
5. Interest	(9,417)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$130,924)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(130,924)	(130,192)
2. Combined valuation payroll	202,450	164,485
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.04%)	(7.02%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	202,450	164,485
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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Portland, OR 97204-3654
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September 2014

Aurora Rural Fire Protection District/2804
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Aurora Rural Fire Protection District/2804

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Aurora Rural Fire Protection District/2804

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Aurora Rural Fire Protection District -- #2804

September 2014

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Executive Summary

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

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Aurora Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Aurora Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.82%)	(9.82%)	(9.82%)	(9.82%)	(9.82%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.92%	8.31%	10.92%	2.62%	6.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.45%	8.84%	11.45%	3.07%	7.18%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Aurora Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$226,583	\$282,177
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(313,938)	(320,363)
Allocated pooled OPSRP UAL	21,130	19,425
Side account	0	0
Net unfunded pension actuarial accrued liability	(66,225)	(18,761)
Combined valuation payroll	298,840	275,599
Net pension UAL as a percentage of payroll	(22%)	(7%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.82%)	(10.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,136	\$5,782
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	78,111	12,209	15.70%	76,365	11,989
Total Police & Fire		78,111	12,209		76,365	11,989
Total		\$78,111	\$12,209		\$76,365	\$11,989
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$320,363)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.15%)
B. Actual employer payroll	138,473
C. Payment to transition liability/(surplus)	(14,055)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(10.30%)
B. Actual employer payroll	145,141
C. Payment to transition liability/(surplus)	(14,950)
4. Supplemental payment to transition liability	0
5. Interest	(22,580)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$313,938)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(313,938)	(320,363)
2. Combined valuation payroll	298,840	275,599
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(9.82%)	(10.31%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	298,840	275,599
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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Portland, OR 97204-3654
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September 2014

Baker County Library District/2728
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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

September 2014
Baker County Library District/2728

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Baker County Library District/2728

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker County Library District -- #2728

September 2014

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Executive Summary

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

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Baker County Library District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Baker County Library District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.20%	12.20%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.20%)	(2.20%)	(2.20%)	(2.20%)	(2.20%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.11%	15.11%	19.42%	10.24%	14.35%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.64%	15.64%	19.95%	10.69%	14.80%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Baker County Library District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$331,594	\$433,689
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(103,133)	(106,078)
Allocated pooled OPSRP UAL	30,923	29,855
Side account	0	0
Net unfunded pension actuarial accrued liability	259,384	357,466
Combined valuation payroll	437,340	423,579
Net pension UAL as a percentage of payroll	59%	84%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.20%)	(2.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,053	\$8,887
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$68,981	\$10,616	15.80%	\$67,234	\$10,623
Tier 2 General Service	10.57%	135,234	14,294	10.58%	137,191	14,515
Total General Service		204,215	24,910		204,425	25,138
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$204,215	\$24,910		\$204,425	\$25,138
Employer normal cost rate						
General Service			12.20%			12.30%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.20%			12.30%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$106,078)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	201,015
C. Payment to transition liability/(surplus)	(5,206)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.43%)
B. Actual employer payroll	212,209
C. Payment to transition liability/(surplus)	(5,157)
4. Supplemental payment to transition liability	0
5. Interest	(7,418)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$103,133)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(103,133)	(106,078)
2. Combined valuation payroll	437,340	423,579
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.20%)	(2.22%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	437,340	423,579
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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

September 2014

Baker County/2021
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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



September 2014
Baker County/2021

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Baker County/2021

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker County -- #2021

September 2014

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Executive Summary

Milliman has prepared this report for Baker County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Baker County.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Baker County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.26%	12.10%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.30%)	(4.30%)	(4.30%)	(4.30%)	(4.30%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.07%	12.91%	16.44%	8.14%	12.25%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.60%	13.44%	16.97%	8.59%	12.70%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Baker County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,845,712	\$5,241,216
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,332,661)	(2,360,392)
Allocated pooled OPSRP UAL	358,629	360,803
Side account	0	0
Net unfunded pension actuarial accrued liability	1,871,680	3,241,627
Combined valuation payroll	5,072,110	5,119,030
Net pension UAL as a percentage of payroll	37%	63%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.30%)	(4.09%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$70,203	\$107,399
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$542,555	\$83,499	15.80%	\$631,581	\$99,790
Tier 2 General Service	10.57%	1,170,029	123,672	10.58%	1,117,806	118,264
Total General Service		1,712,584	207,171		1,749,387	218,054
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	841,206	131,480	15.70%	807,150	126,723
Total Police & Fire		841,206	131,480		807,150	126,723
Total		\$2,553,790	\$338,651		\$2,556,537	\$344,777
Employer normal cost rate						
General Service			12.10%			12.46%
Police & Fire			15.63%			15.70%
Aggregate (Default)			13.26%			13.49%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,360,392)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.85%)
B. Actual employer payroll	2,493,435
C. Payment to transition liability/(surplus)	(95,997)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.04%)
B. Actual employer payroll	2,463,168
C. Payment to transition liability/(surplus)	(99,512)
4. Supplemental payment to transition liability	0
5. Interest	(167,778)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,332,661)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,332,661)	(2,360,392)
2. Combined valuation payroll	5,072,110	5,119,030
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.30%)	(4.09%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,072,110	5,119,030
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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September 2014

Baker Valley Irrigation District/2601
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Baker Valley Irrigation District/2601

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Baker Valley Irrigation District/2601

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Baker Valley Irrigation District -- #2601

September 2014

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Executive Summary

Milliman has prepared this report for Baker Valley Irrigation District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Baker Valley Irrigation District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Baker Valley Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(19.29%)	(19.29%)	(19.29%)	(19.29%)	(19.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	1.21%	1.21%	2.33%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	1.74%	1.74%	2.86%	0.45%	0.45%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Baker Valley Irrigation District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$73,946	\$98,915
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(201,358)	(197,913)
Allocated pooled OPSRP UAL	6,896	6,809
Side account	0	0
Net unfunded pension actuarial accrued liability	(120,516)	(92,189)
Combined valuation payroll	97,528	96,609
Net pension UAL as a percentage of payroll	(124%)	(95%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(19.29%)	(18.17%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,350	\$2,027
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$72,215	\$11,114	15.80%	\$71,236	\$11,255
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		72,215	11,114		71,236	11,255
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$72,215	\$11,114		\$71,236	\$11,255
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$197,913)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(11.98%)
B. Actual employer payroll	44,560
C. Payment to transition liability/(surplus)	(5,378)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(12.05%)
B. Actual employer payroll	46,483
C. Payment to transition liability/(surplus)	(5,660)
4. Supplemental payment to transition liability	0
5. Interest	(14,483)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$201,358)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(201,358)	(197,913)
2. Combined valuation payroll	97,528	96,609
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(19.29%)	(18.17%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	97,528	96,609
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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

September 2014

Benton County/2040
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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



September 2014
Benton County/2040

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Benton County/2040

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Benton County -- #2040

September 2014

Secondary Employers

2639 North Albany Service District

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Executive Summary

Milliman has prepared this report for Benton County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Benton County.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Benton County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.19%	12.40%	16.35%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.51%)	(4.51%)	(4.51%)	(4.51%)	(4.51%)
Side account rate relief ²	(2.87%)	(2.87%)	(2.87%)	(2.87%)	(2.87%)
Net pension contribution rate	10.92%	10.13%	14.08%	5.06%	9.17%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.45%	10.66%	14.61%	5.51%	9.62%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Benton County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$16,912,188	\$22,867,876
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(10,758,758)	(10,969,174)
Allocated pooled OPSRP UAL	1,577,134	1,574,216
Side account	6,854,095	6,397,412
Net unfunded pension actuarial accrued liability	876,469	7,075,506
Combined valuation payroll	22,305,487	22,334,768
Net pension UAL as a percentage of payroll	4%	32%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.51%)	(4.36%)
Side account rate relief	(2.87%)	(2.54%)
Allocated pooled RHIA UAL	\$308,732	\$468,593
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$3,536,970	\$544,340	15.80%	\$4,068,270	\$642,787
Tier 2 General Service	10.57%	5,762,251	609,070	10.58%	5,896,711	623,872
Total General Service		9,299,221	1,153,410		9,964,981	1,266,659
Tier 1 Police & Fire	17.62%	844,186	148,746	17.89%	889,505	159,132
Tier 2 Police & Fire	15.63%	1,480,474	231,398	15.70%	1,550,530	243,433
Total Police & Fire		2,324,660	380,144		2,440,035	402,565
Total		\$11,623,881	\$1,533,554		\$12,405,016	\$1,669,224
Employer normal cost rate						
General Service			12.40%			12.71%
Police & Fire			16.35%			16.50%
Aggregate (Default)			13.19%			13.46%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$10,969,174)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.43%)
B. Actual employer payroll	11,219,895
C. Payment to transition liability/(surplus)	(497,041)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.27%)
B. Actual employer payroll	11,410,001
C. Payment to transition liability/(surplus)	(487,207)
4. Supplemental payment to transition liability	0
5. Interest	(773,832)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$10,758,758)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(10,758,758)	(10,969,174)
2. Combined valuation payroll	22,305,487	22,334,768
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.51%)	(4.36%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$6,397,412	\$6,397,412
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(522,733)	(522,733)
5. Side account earnings during 2013		980,415	980,415
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$6,854,095	\$6,854,095

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$6,854,095	\$6,397,412
Side Account 2	0	0
Side Account 3	0	0
Total	\$6,854,095	\$6,397,412

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$6,854,095	\$6,397,412
2. Combined valuation payroll	22,305,487	22,334,768
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(2.87%)	(2.54%)

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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

September 2014

Black Butte Ranch Police/2749
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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September 2014
Black Butte Ranch Police/2749

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Black Butte Ranch Police/2749

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Black Butte Ranch Police -- #2749

September 2014

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Executive Summary

Milliman has prepared this report for Black Butte Ranch Police to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Black Butte Ranch Police.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Black Butte Ranch Police

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.97%	13.02%	15.97%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(5.93%)	(5.93%)	(5.93%)	(5.93%)	(5.93%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.34%	10.39%	13.34%	4.70%	8.81%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.87%	10.92%	13.87%	5.15%	9.26%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Black Butte Ranch Police

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$351,273	\$398,355
Allocated pre-SLGRP pooled liability/(surplus)	(89,506)	(77,092)
Transition liability/(surplus)	(293,805)	(304,487)
Allocated pooled OPSRP UAL	32,758	27,423
Side account	0	0
Net unfunded pension actuarial accrued liability	720	44,199
Combined valuation payroll	463,294	389,068
Net pension UAL as a percentage of payroll	0%	11%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(5.93%)	(6.94%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,412	\$8,163
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	57,485	10,129	17.89%	56,497	10,107
Tier 2 Police & Fire	15.63%	282,981	44,230	15.70%	249,528	39,176
Total Police & Fire		340,466	54,359		306,025	49,283
Total		\$340,466	\$54,359		\$306,025	\$49,283
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.97%			16.10%
Aggregate (Default)			15.97%			16.10%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$304,487)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.65%)
B. Actual employer payroll	207,198
C. Payment to transition liability/(surplus)	(17,923)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.21%)
B. Actual employer payroll	223,706
C. Payment to transition liability/(surplus)	(13,891)
4. Supplemental payment to transition liability	0
5. Interest	(21,132)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$293,805)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(293,805)	(304,487)
2. Combined valuation payroll	463,294	389,068
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.93%)	(6.94%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	463,294	389,068
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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



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September 2014

Blue Mountain Community College/2901
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Blue Mountain Community College/2901

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Blue Mountain Community College/2901

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Blue Mountain Community College -- #2901

September 2014

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Executive Summary

Milliman has prepared this report for Blue Mountain Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Blue Mountain Community College.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Blue Mountain Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(9.25%)	(9.25%)	(9.25%)	(9.25%)	(9.25%)
Net pension contribution rate	10.51%	10.51%	14.22%	5.04%	9.15%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.04%	11.04%	14.75%	5.49%	9.60%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Blue Mountain Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$7,356,572	\$10,224,549
Allocated pre-SLGRP pooled liability/(surplus)	1,919,762	2,082,025
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	686,032	703,854
Side account	9,609,631	8,988,485
Net unfunded pension actuarial accrued liability	352,735	4,021,943
Combined valuation payroll	9,702,584	9,986,189
Net pension UAL as a percentage of payroll	4%	40%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(9.25%)	(7.99%)
Allocated pooled RHIA UAL	\$134,294	\$209,514
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$8,988,485	\$8,988,485
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(748,855)	(748,855)
5. Side account earnings during 2013		1,371,001	1,371,001
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$9,609,631	\$9,609,631

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$9,609,631	\$8,988,485
Side Account 2	0	0
Side Account 3	0	0
Total	\$9,609,631	\$8,988,485

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$9,609,631	\$8,988,485
2. Combined valuation payroll	9,702,584	9,986,189
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.25%)	(7.99%)

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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September 2014

Boring Fire Department/2558
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Boring Fire Department/2558

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Boring Fire Department/2558

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Boring Fire Department -- #2558

September 2014

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Executive Summary

Milliman has prepared this report for Boring Fire Department to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Boring Fire Department.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Boring Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.87%	13.02%	16.87%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(3.58%)	(3.58%)	(3.58%)	(3.58%)	(3.58%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.59%	12.74%	16.59%	7.05%	11.16%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.12%	13.27%	17.12%	7.50%	11.61%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Boring Fire Department

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,236,712	\$1,597,791
Allocated pre-SLGRP pooled liability/(surplus)	(315,120)	(309,216)
Transition liability/(surplus)	(624,133)	(640,293)
Allocated pooled OPSRP UAL	115,329	109,991
Side account	0	0
Net unfunded pension actuarial accrued liability	412,788	758,273
Combined valuation payroll	1,631,099	1,560,542
Net pension UAL as a percentage of payroll	25%	49%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(3.58%)	(3.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$22,576	\$32,741
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	41,718	4,414
Total General Service		0	0		41,718	4,414
Tier 1 Police & Fire	17.62%	361,408	63,680	17.89%	477,106	85,354
Tier 2 Police & Fire	15.63%	219,567	34,318	15.70%	295,048	46,323
Total Police & Fire		580,975	97,998		772,154	131,677
Total		\$580,975	\$97,998		\$813,872	\$136,091
Employer normal cost rate						
General Service			13.02%			10.58%
Police & Fire			16.87%			17.05%
Aggregate (Default)			16.87%			16.72%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$640,293)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.06%)
B. Actual employer payroll	752,681
C. Payment to transition liability/(surplus)	(30,559)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.64%)
B. Actual employer payroll	837,703
C. Payment to transition liability/(surplus)	(30,492)
4. Supplemental payment to transition liability	0
5. Interest	(44,891)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$624,133)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(624,133)	(640,293)
2. Combined valuation payroll	1,631,099	1,560,542
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.58%)	(3.64%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,631,099	1,560,542
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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Portland, OR 97204-3654
503 227 0634

September 2014

Canby Fire District/2595
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Canby Fire District/2595

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Canby Fire District/2595

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Canby Fire District -- #2595

September 2014

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Executive Summary

Milliman has prepared this report for Canby Fire District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Canby Fire District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Canby Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.16%	10.57%	16.42%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.48%)	(2.48%)	(2.48%)	(2.48%)	(2.48%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.79%	13.20%	19.05%	9.96%	14.07%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.32%	13.73%	19.58%	10.41%	14.52%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Canby Fire District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,427,582	\$1,866,128
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(498,800)	(504,234)
Allocated pooled OPSRP UAL	133,128	128,464
Side account	0	0
Net unfunded pension actuarial accrued liability	1,061,910	1,490,358
Combined valuation payroll	1,882,838	1,822,624
Net pension UAL as a percentage of payroll	56%	82%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.48%)	(2.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$26,060	\$38,239
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	66,890	7,070	10.58%	62,709	6,635
Total General Service		66,890	7,070		62,709	6,635
Tier 1 Police & Fire	17.62%	573,993	101,138	17.89%	663,361	118,675
Tier 2 Police & Fire	15.63%	874,571	136,695	15.70%	836,680	131,359
Total Police & Fire		1,448,564	237,833		1,500,041	250,034
Total		\$1,515,454	\$244,903		\$1,562,750	\$256,669
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.42%			16.67%
Aggregate (Default)			16.16%			16.42%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$504,234)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.32%)
B. Actual employer payroll	927,696
C. Payment to transition liability/(surplus)	(21,523)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.17%)
B. Actual employer payroll	911,861
C. Payment to transition liability/(surplus)	(19,788)
4. Supplemental payment to transition liability	0
5. Interest	(35,877)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$498,800)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(498,800)	(504,234)
2. Combined valuation payroll	1,882,838	1,822,624
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.48%)	(2.45%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,882,838	1,822,624
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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Portland, OR 97204-3654
503 227 0634

September 2014

Canby Utility Board/2731
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Canby Utility Board/2731

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Canby Utility Board/2731

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Canby Utility Board -- #2731

September 2014

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Executive Summary

Milliman has prepared this report for Canby Utility Board to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Canby Utility Board.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Canby Utility Board

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.06%	13.06%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.15%	0.15%	0.15%	0.15%	0.15%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.51%	16.51%	19.96%	10.78%	14.89%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.04%	17.04%	20.49%	11.23%	15.34%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Canby Utility Board

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,372,727	\$1,630,086
Allocated pre-SLGRP pooled liability/(surplus)	(349,777)	(315,466)
Transition liability/(surplus)	28,201	28,677
Allocated pooled OPSRP UAL	128,013	112,215
Side account	0	0
Net unfunded pension actuarial accrued liability	1,179,164	1,455,512
Combined valuation payroll	1,810,490	1,592,085
Net pension UAL as a percentage of payroll	65%	91%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.15%	0.16%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$25,059	\$33,403
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$338,313	\$52,066	15.80%	\$336,991	\$53,245
Tier 2 General Service	10.57%	316,521	33,456	10.58%	304,629	32,230
Total General Service		654,834	85,522		641,620	85,475
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$654,834	\$85,522		\$641,620	\$85,475
Employer normal cost rate						
General Service			13.06%			13.32%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.06%			13.32%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$28,677
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.14%
B. Actual employer payroll	773,745
C. Payment to transition liability/(surplus)	1,083
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.17%
B. Actual employer payroll	835,798
C. Payment to transition liability/(surplus)	1,421
4. Supplemental payment to transition liability	0
5. Interest	2,028
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$28,201

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	28,201	28,677
2. Combined valuation payroll	1,810,490	1,592,085
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.15%	0.16%

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,810,490	1,592,085
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

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

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

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

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

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

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

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

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

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

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

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

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

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

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

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

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

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

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

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

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

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



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September 2014

Cannon Beach Rural Fire Protection District/2840
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

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

Contents of Report

The executive summary provides the basic information you need including:

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

The remainder of the report provides additional information including:

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

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

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



September 2014
Cannon Beach Rural Fire Protection District/2840

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Cannon Beach Rural Fire Protection District/2840

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

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

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

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

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

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

Sincerely,

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

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Cannon Beach Rural Fire Protection District -- #2840

September 2014

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Executive Summary

Milliman has prepared this report for Cannon Beach Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Cannon Beach Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

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

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Cannon Beach Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.05%)	(0.05%)	(0.05%)	(0.05%)	(0.05%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.88%	16.27%	18.88%	10.58%	14.69%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.41%	16.80%	19.41%	11.03%	15.14%

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

¹ Includes Multnomah Fire District #10 rate.

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

Executive Summary

Employer Contribution Rates (continued)

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

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

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

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

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

Executive Summary

Accounting Information

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

Pension

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

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

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

Contractually Required Contribution Rate

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

Executive Summary

Principal Valuation Results

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

Cannon Beach Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$90,807	\$106,411
Allocated pre-SLGRP pooled liability/(surplus)	(23,138)	(20,593)
Transition liability/(surplus)	(651)	(673)
Allocated pooled OPSRP UAL	8,468	7,325
Side account	0	0
Net unfunded pension actuarial accrued liability	75,486	92,470
Combined valuation payroll	119,765	103,930
Net pension UAL as a percentage of payroll	63%	89%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.05%)	(0.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,658	\$2,180
Allocated pooled RHIPA UAL	\$0	\$0

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

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

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

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

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

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

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

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	70,483	11,016	15.70%	67,092	10,533
Total Police & Fire		70,483	11,016		67,092	10,533
Total		\$70,483	\$11,016		\$67,092	\$10,533
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

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

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$673)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.05%)
B. Actual employer payroll	53,909
C. Payment to transition liability/(surplus)	(27)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.07%)
B. Actual employer payroll	59,538
C. Payment to transition liability/(surplus)	(42)
4. Supplemental payment to transition liability	0
5. Interest	(47)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$651)

Development of Transition Liability or Surplus Rate

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

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(651)	(673)
2. Combined valuation payroll	119,765	103,930
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.05%)	(0.06%)

Side Account Information

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

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

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	119,765	103,930
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

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

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

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

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

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

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

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Central Oregon Coast Fire & Rescue District/2820
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Central Oregon Coast Fire & Rescue District/2820

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Central Oregon Coast Fire & Rescue District/2820

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Coast Fire & Rescue District -- #2820

September 2014

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Executive Summary

Milliman has prepared this report for Central Oregon Coast Fire & Rescue District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Coast Fire & Rescue District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Central Oregon Coast Fire & Rescue District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(8.25%)	(8.25%)	(8.25%)	(8.25%)	(8.25%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.49%	9.88%	12.49%	4.19%	8.30%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.02%	10.41%	13.02%	4.64%	8.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Coast Fire & Rescue District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$251,875	\$313,561
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(293,220)	(302,599)
Allocated pooled OPSRP UAL	23,488	21,585
Side account	0	0
Net unfunded pension actuarial accrued liability	(17,857)	32,547
Combined valuation payroll	332,198	306,251
Net pension UAL as a percentage of payroll	(5%)	11%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(8.25%)	(8.77%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,598	\$6,425
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	77,021	12,038	15.70%	77,512	12,169
Total Police & Fire		77,021	12,038		77,512	12,169
Total		\$77,021	\$12,038		\$77,512	\$12,169
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$302,599)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(11.62%)
B. Actual employer payroll	148,216
C. Payment to transition liability/(surplus)	(17,223)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.08%)
B. Actual employer payroll	163,944
C. Payment to transition liability/(surplus)	(13,246)
4. Supplemental payment to transition liability	0
5. Interest	(21,090)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$293,220)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(293,220)	(302,599)
2. Combined valuation payroll	332,198	306,251
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(8.25%)	(8.77%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	332,198	306,251
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

Central Oregon Community College/2999
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
Central Oregon Community College/2999

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Central Oregon Community College/2999

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Community College -- #2999

September 2014

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Executive Summary

Milliman has prepared this report for Central Oregon Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Central Oregon Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(5.21%)	(5.21%)	(5.21%)	(5.21%)	(5.21%)
Net pension contribution rate	14.55%	14.55%	18.26%	9.08%	13.19%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.08%	15.08%	18.79%	9.53%	13.64%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$16,442,755	\$21,218,846
Allocated pre-SLGRP pooled liability/(surplus)	4,290,881	4,320,793
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,533,357	1,460,697
Side account	12,096,603	11,467,856
Net unfunded pension actuarial accrued liability	10,170,390	15,532,480
Combined valuation payroll	21,686,352	20,724,181
Net pension UAL as a percentage of payroll	47%	75%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(5.21%)	(4.91%)
Allocated pooled RHIA UAL	\$300,162	\$434,802
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$11,467,856	\$11,467,856
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,102,754)	(1,102,754)
5. Side account earnings during 2013		1,732,501	1,732,501
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$12,096,603	\$12,096,603

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$12,096,603	\$11,467,856
Side Account 2	0	0
Side Account 3	0	0
Total	\$12,096,603	\$11,467,856

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$12,096,603	\$11,467,856
2. Combined valuation payroll	21,686,352	20,724,181
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(5.21%)	(4.91%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Central Oregon Irrigation District/2563
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Central Oregon Irrigation District/2563

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Central Oregon Irrigation District/2563

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Central Oregon Irrigation District -- #2563

September 2014

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Executive Summary

Milliman has prepared this report for Central Oregon Irrigation District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Central Oregon Irrigation District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Central Oregon Irrigation District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.32%	12.32%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	2.95%	2.95%	2.95%	2.95%	2.95%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.57%	18.57%	22.76%	13.58%	17.69%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.10%	19.10%	23.29%	14.03%	18.14%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Central Oregon Irrigation District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,127,051	\$1,485,577
Allocated pre-SLGRP pooled liability/(surplus)	(287,178)	(287,499)
Transition liability/(surplus)	468,951	478,228
Allocated pooled OPSRP UAL	105,102	102,267
Side account	0	0
Net unfunded pension actuarial accrued liability	1,413,926	1,778,573
Combined valuation payroll	1,486,468	1,450,944
Net pension UAL as a percentage of payroll	95%	123%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	2.95%	2.92%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$20,574	\$30,441
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$308,308	\$47,449	15.80%	\$291,402	\$46,042
Tier 2 General Service	10.57%	541,501	57,237	10.58%	519,444	54,957
Total General Service		849,809	104,686		810,846	100,999
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$849,809	\$104,686		\$810,846	\$100,999
Employer normal cost rate						
General Service			12.32%			12.46%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.32%			12.46%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$478,228
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.91%
B. Actual employer payroll	723,519
C. Payment to transition liability/(surplus)	21,054
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	3.01%
B. Actual employer payroll	729,339
C. Payment to transition liability/(surplus)	21,953
4. Supplemental payment to transition liability	0
5. Interest	33,730
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$468,951

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	468,951	478,228
2. Combined valuation payroll	1,486,468	1,450,944
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	2.95%	2.92%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,486,468	1,450,944
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

Charleston Rural Fire Protection District/2567
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Charleston Rural Fire Protection District/2567

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Charleston Rural Fire Protection District/2567

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Charleston Rural Fire Protection District -- #2567

September 2014

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Executive Summary

Milliman has prepared this report for Charleston Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Charleston Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Charleston Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
All T1/T2 Payroll	General Service	Police & Fire			
Pension					
Normal cost rate	17.05%	13.02%	17.05%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.66%)	(5.66%)	(5.66%)	(5.66%)	(5.66%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.50%	12.47%	16.50%	6.78%	10.89%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.03%	13.00%	17.03%	7.23%	11.34%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Charleston Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$132,626	\$181,408
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(105,910)	(106,498)
Allocated pooled OPSRP UAL	12,368	12,488
Side account	0	0
Net unfunded pension actuarial accrued liability	39,084	87,398
Combined valuation payroll	174,921	177,179
Net pension UAL as a percentage of payroll	22%	49%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.66%)	(5.33%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,421	\$3,717
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	124,554	21,946	17.89%	122,809	21,971
Tier 2 Police & Fire	15.63%	50,367	7,872	15.70%	48,127	7,556
Total Police & Fire		174,921	29,818		170,936	29,527
Total		\$174,921	\$29,818		\$170,936	\$29,527
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			17.05%			17.27%
Aggregate (Default)			17.05%			17.27%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$106,498)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.62%)
B. Actual employer payroll	83,902
C. Payment to transition liability/(surplus)	(3,876)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.17%)
B. Actual employer payroll	83,740
C. Payment to transition liability/(surplus)	(4,330)
4. Supplemental payment to transition liability	0
5. Interest	(7,618)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$105,910)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(105,910)	(106,498)
2. Combined valuation payroll	174,921	177,179
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.66%)	(5.33%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	174,921	177,179
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

Chemeketa Community College/2919
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Chemeketa Community College/2919

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Chemeketa Community College/2919

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Chemeketa Community College -- #2919

September 2014

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Executive Summary

Milliman has prepared this report for Chemeketa Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Chemeketa Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Chemeketa Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(11.40%)	(11.40%)	(11.40%)	(11.40%)	(11.40%)
Net pension contribution rate	8.36%	8.36%	12.07%	2.89%	7.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	8.89%	8.89%	12.60%	3.34%	7.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Chemeketa Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$33,147,289	\$45,404,788
Allocated pre-SLGRP pooled liability/(surplus)	8,650,076	9,245,776
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	3,091,126	3,125,648
Side account	53,358,234	50,018,600
Net unfunded pension actuarial accrued liability	(8,469,743)	7,757,612
Combined valuation payroll	43,717,964	44,346,287
Net pension UAL as a percentage of payroll	(19%)	17%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(11.40%)	(10.00%)
Allocated pooled RHIA UAL	\$605,103	\$930,404
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$50,018,600	\$50,018,600
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(4,276,615)	(4,276,615)
5. Side account earnings during 2013		7,618,249	7,618,249
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$53,358,234	\$53,358,234

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$29,070,013	\$27,254,533
Side Account 2	24,288,221	22,764,068
Side Account 3	0	0
Total	\$53,358,234	\$50,018,600

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$53,358,234	\$50,018,600
2. Combined valuation payroll	43,717,964	44,346,287
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(11.40%)	(10.00%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Chetco Library Board/2699
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Chetco Library Board/2699

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Chetco Library Board/2699

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Chetco Library Board -- #2699

September 2014

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Executive Summary

Milliman has prepared this report for Chetco Library Board to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Chetco Library Board.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Chetco Library Board

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.92%	13.92%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.44%)	(0.44%)	(0.44%)	(0.44%)	(0.44%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.78%	16.78%	19.37%	10.19%	14.30%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.31%	17.31%	19.90%	10.64%	14.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

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	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$158,036	\$240,289
Allocated pre-SLGRP pooled liability/(surplus)	(40,268)	(46,502)
Transition liability/(surplus)	(9,921)	(10,040)
Allocated pooled OPSRP UAL	14,738	16,541
Side account	0	0
Net unfunded pension actuarial accrued liability	122,585	200,288
Combined valuation payroll	208,434	234,687
Net pension UAL as a percentage of payroll	59%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.44%)	(0.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,885	\$4,924
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$122,688	\$18,882	15.80%	\$153,055	\$24,183
Tier 2 General Service	10.57%	53,930	5,700	10.58%	50,361	5,328
Total General Service		176,618	24,582		203,416	29,511
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$176,618	\$24,582		\$203,416	\$29,511
Employer normal cost rate						
General Service			13.92%			14.51%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.92%			14.51%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$10,040)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.37%)
B. Actual employer payroll	114,301
C. Payment to transition liability/(surplus)	(423)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.39%)
B. Actual employer payroll	105,135
C. Payment to transition liability/(surplus)	(410)
4. Supplemental payment to transition liability	0
5. Interest	(714)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$9,921)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(9,921)	(10,040)
2. Combined valuation payroll	208,434	234,687
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.44%)	(0.38%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	208,434	234,687
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Adair Village/2258
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Adair Village/2258

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Adair Village/2258

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Adair Village -- #2258

September 2014

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Executive Summary

Milliman has prepared this report for City of Adair Village to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Adair Village.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Adair Village

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.56%	0.56%	0.56%	0.56%	0.56%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.25%	19.25%	20.37%	11.19%	15.30%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.78%	19.78%	20.90%	11.64%	15.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Adair Village

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$143,883	\$276,074
Allocated pre-SLGRP pooled liability/(surplus)	(36,662)	(53,428)
Transition liability/(surplus)	11,336	11,942
Allocated pooled OPSRP UAL	13,418	19,005
Side account	0	0
Net unfunded pension actuarial accrued liability	131,975	253,593
Combined valuation payroll	189,767	269,638
Net pension UAL as a percentage of payroll	70%	94%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.56%	0.39%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,627	\$5,657
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$59,858	\$9,212	15.80%	\$115,599	\$18,265
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		59,858	9,212		115,599	18,265
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$59,858	\$9,212		\$115,599	\$18,265
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$11,942
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.88%
B. Actual employer payroll	107,647
C. Payment to transition liability/(surplus)	947
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.47%
B. Actual employer payroll	100,837
C. Payment to transition liability/(surplus)	474
4. Supplemental payment to transition liability	0
5. Interest	815
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$11,336

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	11,336	11,942
2. Combined valuation payroll	189,767	269,638
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.56%	0.39%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	189,767	269,638
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

City of Albany/2103
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Albany/2103

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Albany/2103

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Albany -- #2103

September 2014

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Executive Summary

Milliman has prepared this report for City of Albany to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Albany.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Albany

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.52%	12.46%	16.70%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.96%)	(2.96%)	(2.96%)	(2.96%)	(2.96%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.67%	14.61%	18.85%	9.48%	13.59%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.20%	15.14%	19.38%	9.93%	14.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Albany

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$19,690,995	\$25,819,399
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(8,229,542)	(8,315,285)
Allocated pooled OPSRP UAL	1,836,269	1,777,398
Side account	0	0
Net unfunded pension actuarial accrued liability	13,297,722	19,281,512
Combined valuation payroll	25,970,456	25,217,483
Net pension UAL as a percentage of payroll	51%	76%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.96%)	(2.93%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$359,459	\$529,074
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$3,259,105	\$501,576	15.80%	\$3,313,109	\$523,471
Tier 2 General Service	10.57%	5,045,206	533,278	10.58%	5,148,493	544,711
Total General Service		8,304,311	1,034,854		8,461,602	1,068,182
Tier 1 Police & Fire	17.62%	4,219,791	743,527	17.89%	4,395,864	786,420
Tier 2 Police & Fire	15.63%	3,604,556	563,392	15.70%	3,620,278	568,384
Total Police & Fire		7,824,347	1,306,919		8,016,142	1,354,804
Total		\$16,128,658	\$2,341,773		\$16,477,744	\$2,422,986
Employer normal cost rate						
General Service			12.46%			12.62%
Police & Fire			16.70%			16.90%
Aggregate (Default)			14.52%			14.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$8,315,285)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.61%)
B. Actual employer payroll	12,350,980
C. Payment to transition liability/(surplus)	(322,361)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.80%)
B. Actual employer payroll	12,689,237
C. Payment to transition liability/(surplus)	(355,298)
4. Supplemental payment to transition liability	0
5. Interest	(591,916)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$8,229,542)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(8,229,542)	(8,315,285)
2. Combined valuation payroll	25,970,456	25,217,483
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.96%)	(2.93%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	25,970,456	25,217,483
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Amity/2235
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Amity/2235

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Amity/2235

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Amity -- #2235

September 2014

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Executive Summary

Milliman has prepared this report for City of Amity to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Amity.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Amity

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	11.62%	11.62%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.22%)	(6.22%)	(6.22%)	(6.22%)	(6.22%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.51%	10.51%	15.40%	6.22%	10.33%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.04%	11.04%	15.93%	6.67%	10.78%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Amity

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$322,552	\$441,820
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(283,365)	(292,426)
Allocated pooled OPSRP UAL	30,079	30,415
Side account	0	0
Net unfunded pension actuarial accrued liability	69,266	179,809
Combined valuation payroll	425,414	431,520
Net pension UAL as a percentage of payroll	16%	42%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.22%)	(6.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,888	\$9,053
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$52,143	\$8,025	15.80%	\$45,747	\$7,228
Tier 2 General Service	10.57%	186,397	19,702	10.58%	179,419	18,983
Total General Service		238,540	27,727		225,166	26,211
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$238,540	\$27,727		\$225,166	\$26,211
Employer normal cost rate						
General Service			11.62%			11.64%
Police & Fire			16.51%			16.72%
Aggregate (Default)			11.62%			11.64%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$292,426)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.31%)
B. Actual employer payroll	214,077
C. Payment to transition liability/(surplus)	(15,649)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.38%)
B. Actual employer payroll	216,192
C. Payment to transition liability/(surplus)	(13,793)
4. Supplemental payment to transition liability	0
5. Interest	(20,381)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$283,365)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(283,365)	(292,426)
2. Combined valuation payroll	425,414	431,520
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.22%)	(6.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	425,414	431,520
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Ashland/2104
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Ashland/2104

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Ashland/2104

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Ashland -- #2104

September 2014

Secondary Employers

2169	Ashland Community Hospital
2744	Ashland Parks Commission

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Executive Summary

Milliman has prepared this report for City of Ashland to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Ashland.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Ashland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.24%	13.13%	16.59%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.47%	0.47%	0.47%	0.47%	0.47%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.01%	16.90%	20.36%	11.10%	15.21%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.54%	17.43%	20.89%	11.55%	15.66%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Ashland

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$12,744,351	\$15,878,961
Allocated pre-SLGRP pooled liability/(surplus)	(3,247,317)	(3,073,008)
Transition liability/(surplus)	846,442	867,483
Allocated pooled OPSRP UAL	1,188,465	1,093,102
Side account	0	0
Net unfunded pension actuarial accrued liability	11,531,941	14,766,538
Combined valuation payroll	16,808,526	15,508,782
Net pension UAL as a percentage of payroll	69%	95%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.47%	0.50%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$232,648	\$325,381
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$3,354,696	\$516,288	15.80%	\$3,536,521	\$558,770
Tier 2 General Service	10.57%	2,952,993	312,131	10.58%	2,876,401	304,323
Total General Service		6,307,689	828,419		6,412,922	863,093
Tier 1 Police & Fire	17.62%	1,434,326	252,728	17.89%	1,324,371	236,930
Tier 2 Police & Fire	15.63%	1,548,093	241,967	15.70%	1,429,423	224,419
Total Police & Fire		2,982,419	494,695		2,753,794	461,349
Total		\$9,290,108	\$1,323,114		\$9,166,716	\$1,324,442
Employer normal cost rate						
General Service			13.13%			13.46%
Police & Fire			16.59%			16.75%
Aggregate (Default)			14.24%			14.45%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$867,483
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.49%
B. Actual employer payroll	7,732,035
C. Payment to transition liability/(surplus)	37,887
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.52%
B. Actual employer payroll	8,468,166
C. Payment to transition liability/(surplus)	44,035
4. Supplemental payment to transition liability	0
5. Interest	60,881
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$846,442

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	846,442	867,483
2. Combined valuation payroll	16,808,526	15,508,782
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.47%	0.50%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	16,808,526	15,508,782
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Astoria/2105
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Astoria/2105

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Astoria/2105

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Astoria -- #2105

September 2014

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Executive Summary

Milliman has prepared this report for City of Astoria to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Astoria.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Astoria

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.45%	12.98%	16.58%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	1.99%	1.99%	1.99%	1.99%	1.99%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.74%	18.27%	21.87%	12.62%	16.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	20.27%	18.80%	22.40%	13.07%	17.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Astoria

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,359,247	\$5,692,292
Allocated pre-SLGRP pooled liability/(surplus)	(1,110,755)	(1,101,612)
Transition liability/(surplus)	1,222,535	1,251,858
Allocated pooled OPSRP UAL	406,518	391,855
Side account	0	0
Net unfunded pension actuarial accrued liability	4,877,545	6,234,393
Combined valuation payroll	5,749,411	5,559,590
Net pension UAL as a percentage of payroll	85%	112%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	1.99%	2.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$79,578	\$116,643
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$890,004	\$136,972	15.80%	\$923,485	\$145,911
Tier 2 General Service	10.57%	892,692	94,358	10.58%	967,400	102,351
Total General Service		1,782,696	231,330		1,890,885	248,262
Tier 1 Police & Fire	17.62%	591,347	104,195	17.89%	580,720	103,891
Tier 2 Police & Fire	15.63%	641,129	100,208	15.70%	554,773	87,099
Total Police & Fire		1,232,476	204,403		1,135,493	190,990
Total		\$3,015,172	\$435,733		\$3,026,378	\$439,252
Employer normal cost rate						
General Service			12.98%			13.13%
Police & Fire			16.58%			16.82%
Aggregate (Default)			14.45%			14.51%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$1,251,858
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.08%
B. Actual employer payroll	2,697,225
C. Payment to transition liability/(surplus)	56,102
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	2.26%
B. Actual employer payroll	2,705,893
C. Payment to transition liability/(surplus)	61,153
4. Supplemental payment to transition liability	0
5. Interest	87,932
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$1,222,535

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	1,222,535	1,251,858
2. Combined valuation payroll	5,749,411	5,559,590
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.99%	2.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,749,411	5,559,590
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Aumsville/2234
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Aumsville/2234

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Aumsville/2234

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Aumsville -- #2234

September 2014

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Executive Summary

Milliman has prepared this report for City of Aumsville to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Aumsville.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Aumsville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.62%	13.23%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(7.78%)	(7.78%)	(7.78%)	(7.78%)	(7.78%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.14%	8.75%	11.15%	2.85%	6.96%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.67%	9.28%	11.68%	3.30%	7.41%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Aumsville

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$404,771	\$814,415
Allocated pre-SLGRP pooled liability/(surplus)	(103,137)	(157,611)
Transition liability/(surplus)	(444,643)	(449,842)
Allocated pooled OPSRP UAL	37,747	56,064
Side account	0	0
Net unfunded pension actuarial accrued liability	(105,262)	263,026
Combined valuation payroll	533,852	795,429
Net pension UAL as a percentage of payroll	(20%)	33%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(7.78%)	(5.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,389	\$16,688
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$184,190	\$28,347	15.80%	\$224,591	\$35,485
Tier 2 General Service	10.57%	149,661	15,819	10.58%	253,251	26,794
Total General Service		333,851	44,166		477,842	62,279
Tier 1 Police & Fire	17.62%	0	0	17.89%	72,628	12,993
Tier 2 Police & Fire	15.63%	65,406	10,223	15.70%	66,957	10,512
Total Police & Fire		65,406	10,223		139,585	23,505
Total		\$399,257	\$54,389		\$617,427	\$85,784
Employer normal cost rate						
General Service			13.23%			13.03%
Police & Fire			15.63%			16.84%
Aggregate (Default)			13.62%			13.89%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$449,842)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.59%)
B. Actual employer payroll	361,953
C. Payment to transition liability/(surplus)	(20,233)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.18%)
B. Actual employer payroll	327,156
C. Payment to transition liability/(surplus)	(16,947)
4. Supplemental payment to transition liability	0
5. Interest	(31,981)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$444,643)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(444,643)	(449,842)
2. Combined valuation payroll	533,852	795,429
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.78%)	(5.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	533,852	795,429
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Aurora/2272
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Aurora/2272

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Aurora/2272

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Aurora -- #2272

September 2014

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Executive Summary

Milliman has prepared this report for City of Aurora to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Aurora.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Aurora

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.38%	15.38%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(39.45%)	(39.45%)	(39.45%)	(39.45%)	(39.45%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Aurora

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$47,804	\$258,702
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(266,225)	(265,119)
Allocated pooled OPSRP UAL	4,458	17,809
Side account	0	0
Net unfunded pension actuarial accrued liability	(213,963)	11,392
Combined valuation payroll	63,049	252,671
Net pension UAL as a percentage of payroll	(339%)	5%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(39.45%)	(9.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$873	\$5,301
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$2,601	\$400	15.80%	\$138,701	\$21,915
Tier 2 General Service	10.57%	0	0	10.58%	49,199	5,205
Total General Service		2,601	400		187,900	27,120
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$2,601	\$400		\$187,900	\$27,120
Employer normal cost rate						
General Service			15.38%			14.43%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.38%			14.43%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$265,119)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.69%)
B. Actual employer payroll	120,861
C. Payment to transition liability/(surplus)	(9,294)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.13%)
B. Actual employer payroll	107,593
C. Payment to transition liability/(surplus)	(8,748)
4. Supplemental payment to transition liability	0
5. Interest	(19,148)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$266,225)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(266,225)	(265,119)
2. Combined valuation payroll	63,049	252,671
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(39.45%)	(9.31%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	63,049	252,671
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Baker City/2159
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Baker City/2159

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Baker City/2159

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Baker City -- #2159

September 2014

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Executive Summary

Milliman has prepared this report for City of Baker City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Baker City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Baker City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.56%	12.84%	16.42%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.39%)	(0.39%)	(0.39%)	(0.39%)	(0.39%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.47%	15.75%	19.33%	10.24%	14.35%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.00%	16.28%	19.86%	10.69%	14.80%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Baker City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,641,665	\$3,633,829
Allocated pre-SLGRP pooled liability/(surplus)	(673,108)	(703,244)
Transition liability/(surplus)	(144,673)	(146,528)
Allocated pooled OPSRP UAL	246,347	250,151
Side account	0	0
Net unfunded pension actuarial accrued liability	2,070,231	3,034,208
Combined valuation payroll	3,484,093	3,549,115
Net pension UAL as a percentage of payroll	59%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.39%)	(0.37%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$48,224	\$74,462
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$563,024	\$86,649	15.80%	\$561,881	\$88,777
Tier 2 General Service	10.57%	633,268	66,936	10.58%	612,837	64,838
Total General Service		1,196,292	153,585		1,174,718	153,615
Tier 1 Police & Fire	17.62%	439,401	77,422	17.89%	432,334	77,345
Tier 2 Police & Fire	15.63%	673,229	105,226	15.70%	643,368	101,009
Total Police & Fire		1,112,630	182,648		1,075,702	178,354
Total		\$2,308,922	\$336,233		\$2,250,420	\$331,969
Employer normal cost rate						
General Service			12.84%			13.08%
Police & Fire			16.42%			16.58%
Aggregate (Default)			14.56%			14.75%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$146,528)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.34%)
B. Actual employer payroll	1,708,714
C. Payment to transition liability/(surplus)	(5,810)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.37%)
B. Actual employer payroll	1,743,477
C. Payment to transition liability/(surplus)	(6,451)
4. Supplemental payment to transition liability	0
5. Interest	(10,406)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$144,673)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(144,673)	(146,528)
2. Combined valuation payroll	3,484,093	3,549,115
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.39%)	(0.37%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,484,093	3,549,115
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Bandon/2150
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Bandon/2150

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Bandon/2150

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Bandon -- #2150

September 2014

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Executive Summary

Milliman has prepared this report for City of Bandon to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Bandon.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Bandon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.26%	12.91%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.24%)	(0.24%)	(0.24%)	(0.24%)	(0.24%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.32%	15.97%	18.69%	10.39%	14.50%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.85%	16.50%	19.22%	10.84%	14.95%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Bandon

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,569,167	\$2,113,015
Allocated pre-SLGRP pooled liability/(surplus)	(399,831)	(408,925)
Transition liability/(surplus)	(54,235)	(54,875)
Allocated pooled OPSRP UAL	146,332	145,459
Side account	0	0
Net unfunded pension actuarial accrued liability	1,261,433	1,794,674
Combined valuation payroll	2,069,575	2,063,755
Net pension UAL as a percentage of payroll	61%	87%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.24%)	(0.24%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$28,645	\$43,298
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$732,626	\$112,751	15.80%	\$760,904	\$120,223
Tier 2 General Service	10.57%	776,016	82,025	10.58%	763,720	80,802
Total General Service		1,508,642	194,776		1,524,624	201,025
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	221,306	34,590	15.70%	332,110	52,141
Total Police & Fire		221,306	34,590		332,110	52,141
Total		\$1,729,948	\$229,366		\$1,856,734	\$253,166
Employer normal cost rate						
General Service			12.91%			13.19%
Police & Fire			15.63%			15.70%
Aggregate (Default)			13.26%			13.64%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$54,875)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.23%)
B. Actual employer payroll	988,682
C. Payment to transition liability/(surplus)	(2,274)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.23%)
B. Actual employer payroll	985,936
C. Payment to transition liability/(surplus)	(2,267)
4. Supplemental payment to transition liability	0
5. Interest	(3,901)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$54,235)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(54,235)	(54,875)
2. Combined valuation payroll	2,069,575	2,063,755
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.24%)	(0.24%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,069,575	2,063,755
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Banks/2231
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Banks/2231

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Banks/2231

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Banks -- #2231

September 2014

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Executive Summary

Milliman has prepared this report for City of Banks to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Banks.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Banks

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.26%)	(9.26%)	(9.26%)	(9.26%)	(9.26%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	6.42%	6.42%	12.36%	3.18%	7.29%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	6.95%	6.95%	12.89%	3.63%	7.74%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Banks

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$252,153	\$290,352
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(329,521)	(334,782)
Allocated pooled OPSRP UAL	23,514	19,988
Side account	0	0
Net unfunded pension actuarial accrued liability	(53,854)	(24,442)
Combined valuation payroll	332,564	283,583
Net pension UAL as a percentage of payroll	(16%)	(9%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.26%)	(10.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,603	\$5,950
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	76,681	8,105	10.58%	72,666	7,688
Total General Service		76,681	8,105		72,666	7,688
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$76,681	\$8,105		\$72,666	\$7,688
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$334,782)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(9.57%)
B. Actual employer payroll	147,562
C. Payment to transition liability/(surplus)	(14,122)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(9.29%)
B. Actual employer payroll	159,744
C. Payment to transition liability/(surplus)	(14,840)
4. Supplemental payment to transition liability	0
5. Interest	(23,701)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$329,521)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(329,521)	(334,782)
2. Combined valuation payroll	332,564	283,583
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(9.26%)	(10.47%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	332,564	283,583
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Bay City/2241
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Bay City/2241

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Bay City/2241

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Bay City -- #2241

September 2014

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Executive Summary

Milliman has prepared this report for City of Bay City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Bay City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Bay City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(4.11%)	(4.11%)	(4.11%)	(4.11%)	(4.11%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.76%	9.76%	15.70%	6.52%	10.63%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.29%	10.29%	16.23%	6.97%	11.08%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Bay City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$220,202	\$336,849
Allocated pre-SLGRP pooled liability/(surplus)	(56,109)	(65,189)
Transition liability/(surplus)	(127,771)	(130,493)
Allocated pooled OPSRP UAL	20,535	23,189
Side account	0	0
Net unfunded pension actuarial accrued liability	56,857	164,356
Combined valuation payroll	290,425	328,996
Net pension UAL as a percentage of payroll	20%	50%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(4.11%)	(3.52%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,020	\$6,902
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	58,730	6,208	10.58%	56,000	5,925
Total General Service		58,730	6,208		56,000	5,925
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$58,730	\$6,208		\$56,000	\$5,925
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$130,493)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.17%)
B. Actual employer payroll	166,580
C. Payment to transition liability/(surplus)	(5,281)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.98%)
B. Actual employer payroll	166,616
C. Payment to transition liability/(surplus)	(6,631)
4. Supplemental payment to transition liability	0
5. Interest	(9,190)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$127,771)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(127,771)	(130,493)
2. Combined valuation payroll	290,425	328,996
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.11%)	(3.52%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	290,425	328,996
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Boardman/2178
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Boardman/2178

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Boardman/2178

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Boardman -- #2178

September 2014

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Executive Summary

Milliman has prepared this report for City of Boardman to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Boardman.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Boardman

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.54%	12.34%	17.07%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.51%)	(0.51%)	(0.51%)	(0.51%)	(0.51%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.33%	15.13%	19.86%	10.12%	14.23%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.86%	15.66%	20.39%	10.57%	14.68%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Boardman

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$872,239	\$1,336,798
Allocated pre-SLGRP pooled liability/(surplus)	(222,250)	(258,707)
Transition liability/(surplus)	(62,656)	(64,150)
Allocated pooled OPSRP UAL	81,340	92,025
Side account	0	0
Net unfunded pension actuarial accrued liability	668,673	1,105,966
Combined valuation payroll	1,150,396	1,305,634
Net pension UAL as a percentage of payroll	58%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.51%)	(0.44%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$15,923	\$27,393
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$184,360	\$28,373	15.80%	\$309,012	\$48,824
Tier 2 General Service	10.57%	317,817	33,593	10.58%	298,939	31,628
Total General Service		502,177	61,966		607,951	80,452
Tier 1 Police & Fire	17.62%	123,868	21,826	17.89%	120,769	21,606
Tier 2 Police & Fire	15.63%	46,855	7,323	15.70%	55,373	8,694
Total Police & Fire		170,723	29,149		176,142	30,300
Total		\$672,900	\$91,115		\$784,093	\$110,752
Employer normal cost rate						
General Service			12.34%			13.23%
Police & Fire			17.07%			17.20%
Aggregate (Default)			13.54%			14.12%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$64,150)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.46%)
B. Actual employer payroll	631,692
C. Payment to transition liability/(surplus)	(2,906)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.49%)
B. Actual employer payroll	631,591
C. Payment to transition liability/(surplus)	(3,095)
4. Supplemental payment to transition liability	0
5. Interest	(4,507)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$62,656)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(62,656)	(64,150)
2. Combined valuation payroll	1,150,396	1,305,634
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.51%)	(0.44%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,150,396	1,305,634
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Brookings/2216
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Brookings/2216

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Brookings/2216

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Brookings -- #2216

September 2014

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Executive Summary

Milliman has prepared this report for City of Brookings to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Brookings.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Brookings

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.02%	12.23%	16.14%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.89%)	(0.89%)	(0.89%)	(0.89%)	(0.89%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.43%	14.64%	18.55%	9.74%	13.85%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.96%	15.17%	19.08%	10.19%	14.30%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Brookings

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,978,840	\$2,635,300
Allocated pre-SLGRP pooled liability/(surplus)	(504,217)	(510,002)
Transition liability/(surplus)	(248,646)	(254,502)
Allocated pooled OPSRP UAL	184,535	181,413
Side account	0	0
Net unfunded pension actuarial accrued liability	1,410,512	2,052,209
Combined valuation payroll	2,609,893	2,573,864
Net pension UAL as a percentage of payroll	54%	80%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.89%)	(0.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$36,124	\$54,001
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$183,484	\$28,238	15.80%	\$180,127	\$28,460
Tier 2 General Service	10.57%	350,717	37,071	10.58%	434,051	45,923
Total General Service		534,201	65,309		614,178	74,383
Tier 1 Police & Fire	17.62%	116,759	20,573	17.89%	102,571	18,350
Tier 2 Police & Fire	15.63%	336,833	52,647	15.70%	362,466	56,907
Total Police & Fire		453,592	73,220		465,037	75,257
Total		\$987,793	\$138,529		\$1,079,215	\$149,640
Employer normal cost rate						
General Service			12.23%			12.11%
Police & Fire			16.14%			16.18%
Aggregate (Default)			14.02%			13.87%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$254,502)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.91%)
B. Actual employer payroll	1,280,582
C. Payment to transition liability/(surplus)	(11,653)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.96%)
B. Actual employer payroll	1,259,025
C. Payment to transition liability/(surplus)	(12,087)
4. Supplemental payment to transition liability	0
5. Interest	(17,884)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$248,646)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(248,646)	(254,502)
2. Combined valuation payroll	2,609,893	2,573,864
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.89%)	(0.88%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,609,893	2,573,864
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Burns/2204
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Burns/2204

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Burns/2204

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Burns -- #2204

September 2014

Secondary Employers

2108 City of Burns

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Executive Summary

Milliman has prepared this report for City of Burns to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Burns.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Burns

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.45%	13.97%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.79%)	(6.79%)	(6.79%)	(6.79%)	(6.79%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.77%	12.29%	15.94%	5.65%	9.76%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.30%	12.82%	16.47%	6.10%	10.21%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Burns

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$453,168	\$611,992
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(434,387)	(444,256)
Allocated pooled OPSRP UAL	42,260	42,129
Side account	0	0
Net unfunded pension actuarial accrued liability	61,041	209,865
Combined valuation payroll	597,683	597,725
Net pension UAL as a percentage of payroll	10%	35%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.79%)	(6.59%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,273	\$12,541
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$154,029	\$23,705	15.80%	\$149,178	\$23,570
Tier 2 General Service	10.57%	64,014	6,766	10.58%	64,481	6,822
Total General Service		218,043	30,471		213,659	30,392
Tier 1 Police & Fire	17.62%	32,683	5,759	17.89%	31,245	5,590
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		32,683	5,759		31,245	5,590
Total		\$250,726	\$36,230		\$244,904	\$35,982
Employer normal cost rate						
General Service			13.97%			14.22%
Police & Fire			17.62%			17.89%
Aggregate (Default)			14.45%			14.69%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$444,256)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.06%)
B. Actual employer payroll	308,960
C. Payment to transition liability/(surplus)	(21,813)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.00%)
B. Actual employer payroll	321,677
C. Payment to transition liability/(surplus)	(19,300)
4. Supplemental payment to transition liability	0
5. Interest	(31,244)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$434,387)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(434,387)	(444,256)
2. Combined valuation payroll	597,683	597,725
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.79%)	(6.59%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	597,683	597,725
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Canby/2109
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Canby/2109

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Canby/2109

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Canby -- #2109

September 2014

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Executive Summary

Milliman has prepared this report for City of Canby to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Canby.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Canby

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.50%	13.04%	16.72%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.81%)	(5.81%)	(5.81%)	(5.81%)	(5.81%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.80%	12.34%	16.02%	6.63%	10.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.33%	12.87%	16.55%	7.08%	11.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Canby

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,512,807	\$5,946,867
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,698,606)	(3,768,322)
Allocated pooled OPSRP UAL	420,839	409,380
Side account	0	0
Net unfunded pension actuarial accrued liability	1,235,040	2,587,925
Combined valuation payroll	5,951,942	5,808,230
Net pension UAL as a percentage of payroll	21%	45%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.81%)	(5.76%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$82,381	\$121,859
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,049,001	\$161,441	15.80%	\$1,046,001	\$165,268
Tier 2 General Service	10.57%	998,305	105,521	10.58%	1,112,999	117,755
Total General Service		2,047,306	266,962		2,159,000	283,023
Tier 1 Police & Fire	17.62%	738,976	130,208	17.89%	731,794	130,918
Tier 2 Police & Fire	15.63%	608,501	95,109	15.70%	649,625	101,991
Total Police & Fire		1,347,477	225,317		1,381,419	232,909
Total		\$3,394,783	\$492,279		\$3,540,419	\$515,932
Employer normal cost rate						
General Service			13.04%			13.11%
Police & Fire			16.72%			16.86%
Aggregate (Default)			14.50%			14.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,768,322)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.89%)
B. Actual employer payroll	2,808,525
C. Payment to transition liability/(surplus)	(165,422)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.70%)
B. Actual employer payroll	2,988,048
C. Payment to transition liability/(surplus)	(170,319)
4. Supplemental payment to transition liability	0
5. Interest	(266,025)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,698,606)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,698,606)	(3,768,322)
2. Combined valuation payroll	5,951,942	5,808,230
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.81%)	(5.76%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,951,942	5,808,230
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Cannon Beach/2223
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of Cannon Beach/2223

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Cannon Beach/2223

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cannon Beach -- #2223

September 2014

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Executive Summary

Milliman has prepared this report for City of Cannon Beach to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cannon Beach.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Cannon Beach

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.72%	13.16%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(2.48%)	(2.48%)	(2.48%)	(2.48%)	(2.48%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.54%	13.98%	16.45%	8.15%	12.26%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.07%	14.51%	16.98%	8.60%	12.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cannon Beach

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,299,056	\$1,604,598
Allocated pre-SLGRP pooled liability/(surplus)	(331,005)	(310,533)
Transition liability/(surplus)	(454,717)	(461,998)
Allocated pooled OPSRP UAL	121,143	110,460
Side account	0	0
Net unfunded pension actuarial accrued liability	634,477	942,527
Combined valuation payroll	1,713,325	1,567,191
Net pension UAL as a percentage of payroll	37%	60%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(2.48%)	(2.62%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$23,714	\$32,880
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$363,348	\$55,919	15.80%	\$333,356	\$52,670
Tier 2 General Service	10.57%	311,682	32,945	10.58%	369,012	39,041
Total General Service		675,030	88,864		702,368	91,711
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	196,893	30,774	15.70%	192,114	30,162
Total Police & Fire		196,893	30,774		192,114	30,162
Total		\$871,923	\$119,638		\$894,482	\$121,873
Employer normal cost rate						
General Service			13.16%			13.06%
Police & Fire			15.63%			15.70%
Aggregate (Default)			13.72%			13.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$461,998)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.29%)
B. Actual employer payroll	868,857
C. Payment to transition liability/(surplus)	(19,897)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.43%)
B. Actual employer payroll	826,763
C. Payment to transition liability/(surplus)	(20,090)
4. Supplemental payment to transition liability	0
5. Interest	(32,706)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$454,717)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(454,717)	(461,998)
2. Combined valuation payroll	1,713,325	1,567,191
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.48%)	(2.62%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,713,325	1,567,191
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Carlton/2198
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Carlton/2198

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Carlton/2198

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Carlton -- #2198

September 2014

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Executive Summary

Milliman has prepared this report for City of Carlton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Carlton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Carlton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.99%	11.65%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(12.59%)	(12.59%)	(12.59%)	(12.59%)	(12.59%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	5.51%	4.17%	10.14%	0.00%	3.96%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	6.04%	4.70%	10.67%	0.45%	4.41%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Carlton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$334,150	\$431,605
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(594,047)	(617,631)
Allocated pooled OPSRP UAL	31,161	29,712
Side account	0	0
Net unfunded pension actuarial accrued liability	(228,736)	(156,314)
Combined valuation payroll	440,711	421,543
Net pension UAL as a percentage of payroll	(52%)	(37%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(12.59%)	(13.00%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,100	\$8,844
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$53,525	\$8,237	15.80%	\$50,478	\$7,976
Tier 2 General Service	10.57%	185,655	19,624	10.58%	178,881	18,926
Total General Service		239,180	27,861		229,359	26,902
Tier 1 Police & Fire	17.62%	69,267	12,205	17.89%	74,849	13,390
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		69,267	12,205		74,849	13,390
Total		\$308,447	\$40,066		\$304,208	\$40,292
Employer normal cost rate						
General Service			11.65%			11.73%
Police & Fire			17.62%			17.89%
Aggregate (Default)			12.99%			13.24%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$617,631)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.86%)
B. Actual employer payroll	239,760
C. Payment to transition liability/(surplus)	(26,038)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(16.90%)
B. Actual employer payroll	247,990
C. Payment to transition liability/(surplus)	(40,273)
4. Supplemental payment to transition liability	0
5. Interest	(42,727)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$594,047)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(594,047)	(617,631)
2. Combined valuation payroll	440,711	421,543
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(12.59%)	(13.00%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	440,711	421,543
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Cascade Locks/2182
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Cascade Locks/2182

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Cascade Locks/2182

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cascade Locks -- #2182

September 2014

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Executive Summary

Milliman has prepared this report for City of Cascade Locks to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cascade Locks.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Cascade Locks

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	9.42%	9.42%	9.42%	9.42%	9.42%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	28.11%	28.11%	29.23%	20.05%	24.16%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	28.64%	28.64%	29.76%	20.50%	24.61%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cascade Locks

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$417,094	\$670,886
Allocated pre-SLGRP pooled liability/(surplus)	(106,278)	(129,835)
Transition liability/(surplus)	554,720	553,449
Allocated pooled OPSRP UAL	38,896	46,184
Side account	0	0
Net unfunded pension actuarial accrued liability	904,432	1,140,684
Combined valuation payroll	550,106	655,246
Net pension UAL as a percentage of payroll	164%	174%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	9.42%	7.49%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,614	\$13,747
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$300,599	\$46,262	15.80%	\$436,401	\$68,951
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		300,599	46,262		436,401	68,951
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$300,599	\$46,262		\$436,401	\$68,951
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$553,449
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	6.12%
B. Actual employer payroll	338,818
C. Payment to transition liability/(surplus)	20,736
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	6.72%
B. Actual employer payroll	266,249
C. Payment to transition liability/(surplus)	17,892
4. Supplemental payment to transition liability	0
5. Interest	39,899
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$554,720

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	554,720	553,449
2. Combined valuation payroll	550,106	655,246
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	9.42%	7.49%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	550,106	655,246
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Cave Junction/2194
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Cave Junction/2194

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Cave Junction/2194

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Cave Junction -- #2194

September 2014

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Executive Summary

Milliman has prepared this report for City of Cave Junction to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Cave Junction.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Cave Junction

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.78%	13.78%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.08%)	(1.08%)	(1.08%)	(1.08%)	(1.08%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.00%	16.00%	18.73%	9.55%	13.66%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.53%	16.53%	19.26%	10.00%	14.11%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Cave Junction

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$357,132	\$467,605
Allocated pre-SLGRP pooled liability/(surplus)	(90,999)	(90,494)
Transition liability/(surplus)	(54,515)	(55,717)
Allocated pooled OPSRP UAL	33,304	32,190
Side account	0	0
Net unfunded pension actuarial accrued liability	244,922	353,584
Combined valuation payroll	471,021	456,704
Net pension UAL as a percentage of payroll	52%	77%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.08%)	(1.08%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,519	\$9,582
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$198,836	\$30,601	15.80%	\$194,126	\$30,672
Tier 2 General Service	10.57%	99,748	10,543	10.58%	97,459	10,311
Total General Service		298,584	41,144		291,585	40,983
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$298,584	\$41,144		\$291,585	\$40,983
Employer normal cost rate						
General Service			13.78%			14.06%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.78%			14.06%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$55,717)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.15%)
B. Actual employer payroll	222,164
C. Payment to transition liability/(surplus)	(2,555)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.13%)
B. Actual employer payroll	227,259
C. Payment to transition liability/(surplus)	(2,568)
4. Supplemental payment to transition liability	0
5. Interest	(3,921)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$54,515)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(54,515)	(55,717)
2. Combined valuation payroll	471,021	456,704
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.08%)	(1.08%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	471,021	456,704
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Central Point/2181
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Central Point/2181

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Central Point/2181

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Central Point -- #2181

September 2014

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Executive Summary

Milliman has prepared this report for City of Central Point to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Central Point.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Central Point

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.44%	12.05%	16.44%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.65%)	(2.65%)	(2.65%)	(2.65%)	(2.65%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.90%	14.51%	18.90%	9.79%	13.90%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.43%	15.04%	19.43%	10.24%	14.35%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Central Point

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,265,409	\$4,064,231
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,219,637)	(1,254,203)
Allocated pooled OPSRP UAL	304,513	279,780
Side account	0	0
Net unfunded pension actuarial accrued liability	2,350,285	3,089,808
Combined valuation payroll	4,306,748	3,969,483
Net pension UAL as a percentage of payroll	55%	78%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.65%)	(2.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$59,610	\$83,281
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$558,273	\$85,918	15.80%	\$651,782	\$102,982
Tier 2 General Service	10.57%	1,261,164	133,305	10.58%	1,145,984	121,245
Total General Service		1,819,437	219,223		1,797,766	224,227
Tier 1 Police & Fire	17.62%	344,195	60,647	17.89%	318,630	57,003
Tier 2 Police & Fire	15.63%	496,464	77,597	15.70%	476,760	74,851
Total Police & Fire		840,659	138,244		795,390	131,854
Total		\$2,660,096	\$357,467		\$2,593,156	\$356,081
Employer normal cost rate						
General Service			12.05%			12.47%
Police & Fire			16.44%			16.58%
Aggregate (Default)			13.44%			13.73%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,254,203)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.02%)
B. Actual employer payroll	2,238,193
C. Payment to transition liability/(surplus)	(67,593)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.62%)
B. Actual employer payroll	2,087,620
C. Payment to transition liability/(surplus)	(54,696)
4. Supplemental payment to transition liability	0
5. Interest	(87,723)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,219,637)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,219,637)	(1,254,203)
2. Combined valuation payroll	4,306,748	3,969,483
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.65%)	(2.80%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,306,748	3,969,483
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Coburg/2201
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Coburg/2201

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Coburg/2201

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Coburg -- #2201

September 2014

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Executive Summary

Milliman has prepared this report for City of Coburg to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Coburg.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Coburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.85%	10.57%	16.47%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.19%)	(10.19%)	(10.19%)	(10.19%)	(10.19%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	7.77%	5.49%	11.39%	2.25%	6.36%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	8.30%	6.02%	11.92%	2.70%	6.81%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Coburg

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$416,397	\$635,160
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(598,820)	(618,516)
Allocated pooled OPSRP UAL	38,831	43,724
Side account	0	0
Net unfunded pension actuarial accrued liability	(143,592)	60,368
Combined valuation payroll	549,186	620,353
Net pension UAL as a percentage of payroll	(26%)	10%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.19%)	(8.85%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,601	\$13,015
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	240,836	25,456	10.58%	270,960	28,668
Total General Service		240,836	25,456		270,960	28,668
Tier 1 Police & Fire	17.62%	64,425	11,352	17.89%	67,229	12,027
Tier 2 Police & Fire	15.63%	87,489	13,675	15.70%	92,248	14,483
Total Police & Fire		151,914	25,027		159,477	26,510
Total		\$392,750	\$50,483		\$430,437	\$55,178
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.47%			16.62%
Aggregate (Default)			12.85%			12.82%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$618,516)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(12.98%)
B. Actual employer payroll	281,929
C. Payment to transition liability/(surplus)	(36,168)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.70%)
B. Actual employer payroll	305,731
C. Payment to transition liability/(surplus)	(26,599)
4. Supplemental payment to transition liability	0
5. Interest	(43,071)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$598,820)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(598,820)	(618,516)
2. Combined valuation payroll	549,186	620,353
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(10.19%)	(8.85%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	549,186	620,353
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Columbia City/2271
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Columbia City/2271

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Columbia City/2271

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Columbia City -- #2271

September 2014

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Executive Summary

Milliman has prepared this report for City of Columbia City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Columbia City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Columbia City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.44%	15.39%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.06%)	(0.06%)	(0.06%)	(0.06%)	(0.06%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.68%	18.63%	18.87%	10.57%	14.68%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.21%	19.16%	19.40%	11.02%	15.13%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Columbia City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$394,466	\$459,461
Allocated pre-SLGRP pooled liability/(surplus)	(100,512)	(88,918)
Transition liability/(surplus)	(3,251)	(3,429)
Allocated pooled OPSRP UAL	36,786	31,629
Side account	0	0
Net unfunded pension actuarial accrued liability	327,489	398,743
Combined valuation payroll	520,261	448,750
Net pension UAL as a percentage of payroll	63%	89%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.06%)	(0.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,201	\$9,415
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$151,581	\$23,328	15.80%	\$144,114	\$22,770
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		151,581	23,328		144,114	22,770
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	41,816	6,536	15.70%	39,910	6,266
Total Police & Fire		41,816	6,536		39,910	6,266
Total		\$193,397	\$29,864		\$184,024	\$29,036
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.44%			15.78%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,429)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.10%)
B. Actual employer payroll	222,029
C. Payment to transition liability/(surplus)	(222)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.08%)
B. Actual employer payroll	238,046
C. Payment to transition liability/(surplus)	(190)
4. Supplemental payment to transition liability	0
5. Interest	(234)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,251)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,251)	(3,429)
2. Combined valuation payroll	520,261	448,750
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.06%)	(0.07%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	520,261	448,750
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Condon/2177
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Condon/2177

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Condon -- #2177

September 2014

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Executive Summary

Milliman has prepared this report for City of Condon to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Condon.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Condon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.79%	10.79%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	10.65%	10.65%	10.65%	10.65%	10.65%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	26.55%	26.55%	32.27%	23.09%	27.20%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	27.08%	27.08%	32.80%	23.54%	27.65%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Condon

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$147,533	\$267,801
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	221,870	228,561
Allocated pooled OPSRP UAL	13,758	18,435
Side account	0	0
Net unfunded pension actuarial accrued liability	383,161	514,797
Combined valuation payroll	194,581	261,558
Net pension UAL as a percentage of payroll	197%	197%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	10.65%	7.75%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,693	\$5,488
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$7,193	\$1,107	15.80%	\$7,192	\$1,136
Tier 2 General Service	10.57%	147,661	15,608	10.58%	143,581	15,191
Total General Service		154,854	16,715		150,773	16,327
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	46,541	7,307
Total Police & Fire		0	0		46,541	7,307
Total		\$154,854	\$16,715		\$197,314	\$23,634
Employer normal cost rate						
General Service			10.79%			10.83%
Police & Fire			16.51%			15.70%
Aggregate (Default)			10.79%			11.98%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$228,561
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	9.76%
B. Actual employer payroll	122,616
C. Payment to transition liability/(surplus)	11,967
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	8.17%
B. Actual employer payroll	130,747
C. Payment to transition liability/(surplus)	10,682
4. Supplemental payment to transition liability	0
5. Interest	15,958
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$221,870

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	221,870	228,561
2. Combined valuation payroll	194,581	261,558
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	10.65%	7.75%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	194,581	261,558
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
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September 2014

City of Coquille/2110
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Coquille/2110

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Coquille/2110

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Coquille -- #2110

September 2014

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Executive Summary

Milliman has prepared this report for City of Coquille to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Coquille.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Coquille

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.47%	12.79%	16.06%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	1.15%	1.15%	1.15%	1.15%	1.15%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.92%	17.24%	20.51%	11.78%	15.89%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.45%	17.77%	21.04%	12.23%	16.34%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Coquille

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,139,065	\$1,348,476
Allocated pre-SLGRP pooled liability/(surplus)	(290,239)	(260,967)
Transition liability/(surplus)	184,456	186,731
Allocated pooled OPSRP UAL	106,223	92,829
Side account	0	0
Net unfunded pension actuarial accrued liability	1,139,505	1,367,069
Combined valuation payroll	1,502,313	1,317,040
Net pension UAL as a percentage of payroll	76%	104%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	1.15%	1.26%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$20,794	\$27,632
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$150,589	\$23,176	15.80%	\$89,568	\$14,152
Tier 2 General Service	10.57%	176,696	18,677	10.58%	282,156	29,852
Total General Service		327,285	41,853		371,724	44,004
Tier 1 Police & Fire	17.62%	75,475	13,299	17.89%	73,294	13,112
Tier 2 Police & Fire	15.63%	271,374	42,416	15.70%	172,372	27,062
Total Police & Fire		346,849	55,715		245,666	40,174
Total		\$674,134	\$97,568		\$617,390	\$84,178
Employer normal cost rate						
General Service			12.79%			11.84%
Police & Fire			16.06%			16.35%
Aggregate (Default)			14.47%			13.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$186,731
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	1.08%
B. Actual employer payroll	653,011
C. Payment to transition liability/(surplus)	7,053
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	1.17%
B. Actual employer payroll	725,633
C. Payment to transition liability/(surplus)	8,489
4. Supplemental payment to transition liability	0
5. Interest	13,267
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$184,456

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	184,456	186,731
2. Combined valuation payroll	1,502,313	1,317,040
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.15%	1.26%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,502,313	1,317,040
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Corvallis/2155
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Corvallis/2155

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Corvallis/2155

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Corvallis -- #2155

September 2014

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Executive Summary

Milliman has prepared this report for City of Corvallis to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Corvallis.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Corvallis

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.46%	13.14%	16.97%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.61%)	(4.61%)	(4.61%)	(4.61%)	(4.61%)
Side account rate relief ²	(2.74%)	(2.74%)	(2.74%)	(2.74%)	(2.74%)
Net pension contribution rate	12.22%	10.90%	14.73%	5.09%	9.20%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.75%	11.43%	15.26%	5.54%	9.65%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Corvallis

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$21,886,209	\$30,223,143
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(14,252,369)	(14,427,745)
Allocated pooled OPSRP UAL	2,040,982	2,080,550
Side account	8,465,416	7,885,794
Net unfunded pension actuarial accrued liability	1,209,406	9,990,154
Combined valuation payroll	28,865,724	29,518,565
Net pension UAL as a percentage of payroll	4%	34%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.61%)	(4.34%)
Side account rate relief	(2.74%)	(2.37%)
Allocated pooled RHIA UAL	\$399,532	\$619,312
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$6,458,959	\$994,034	15.80%	\$7,323,787	\$1,157,158
Tier 2 General Service	10.57%	5,636,392	595,767	10.58%	5,841,582	618,039
Total General Service		12,095,351	1,589,801		13,165,369	1,775,197
Tier 1 Police & Fire	17.62%	4,271,924	752,713	17.89%	4,576,662	818,765
Tier 2 Police & Fire	15.63%	2,084,111	325,747	15.70%	2,158,041	338,812
Total Police & Fire		6,356,035	1,078,460		6,734,703	1,157,577
Total		\$18,451,386	\$2,668,261		\$19,900,072	\$2,932,774
Employer normal cost rate						
General Service			13.14%			13.48%
Police & Fire			16.97%			17.19%
Aggregate (Default)			14.46%			14.74%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$14,427,745)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.10%)
B. Actual employer payroll	14,237,661
C. Payment to transition liability/(surplus)	(583,744)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.22%)
B. Actual employer payroll	14,614,793
C. Payment to transition liability/(surplus)	(616,744)
4. Supplemental payment to transition liability	0
5. Interest	(1,025,112)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$14,252,369)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(14,252,369)	(14,427,745)
2. Combined valuation payroll	28,865,724	29,518,565
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.61%)	(4.34%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$7,885,794	\$7,885,794
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(629,115)	(629,115)
5. Side account earnings during 2013		1,209,737	1,209,737
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$8,465,416	\$8,465,416

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$8,465,416	\$7,885,794
Side Account 2	0	0
Side Account 3	0	0
Total	\$8,465,416	\$7,885,794

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$8,465,416	\$7,885,794
2. Combined valuation payroll	28,865,724	29,518,565
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(2.74%)	(2.37%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Creswell/2236
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Creswell/2236

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Creswell/2236

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Creswell -- #2236

September 2014

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Executive Summary

Milliman has prepared this report for City of Creswell to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Creswell.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Creswell

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	11.27%	11.27%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.33%)	(3.33%)	(3.33%)	(3.33%)	(3.33%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.05%	13.05%	18.29%	9.11%	13.22%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.58%	13.58%	18.82%	9.56%	13.67%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Creswell

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$391,015	\$672,348
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(184,047)	(185,241)
Allocated pooled OPSRP UAL	36,464	46,284
Side account	0	0
Net unfunded pension actuarial accrued liability	243,432	533,391
Combined valuation payroll	515,710	656,674
Net pension UAL as a percentage of payroll	47%	81%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.33%)	(2.50%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,138	\$13,777
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$51,742	\$7,963	15.80%	\$122,185	\$19,305
Tier 2 General Service	10.57%	303,221	32,050	10.58%	288,991	30,575
Total General Service		354,963	40,013		411,176	49,880
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$354,963	\$40,013		\$411,176	\$49,880
Employer normal cost rate						
General Service			11.27%			12.13%
Police & Fire			16.51%			16.72%
Aggregate (Default)			11.27%			12.13%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$185,241)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.56%)
B. Actual employer payroll	333,082
C. Payment to transition liability/(surplus)	(8,527)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.47%)
B. Actual employer payroll	239,063
C. Payment to transition liability/(surplus)	(5,905)
4. Supplemental payment to transition liability	0
5. Interest	(13,238)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$184,047)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(184,047)	(185,241)
2. Combined valuation payroll	515,710	656,674
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.33%)	(2.50%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	515,710	656,674
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Dallas/2202
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Dallas/2202

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Dallas/2202

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dallas -- #2202

September 2014

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Executive Summary

Milliman has prepared this report for City of Dallas to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dallas.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Dallas

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.92%	11.79%	17.15%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(0.29%)	(0.29%)	(0.29%)	(0.29%)	(0.29%)
Net pension contribution rate	16.93%	14.80%	20.16%	10.34%	14.45%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.46%	15.33%	20.69%	10.79%	14.90%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dallas

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,172,489	\$4,426,015
Allocated pre-SLGRP pooled liability/(surplus)	(808,364)	(856,553)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	295,848	304,685
Side account	130,217	126,532
Net unfunded pension actuarial accrued liability	2,529,756	3,747,615
Combined valuation payroll	4,184,196	4,322,833
Net pension UAL as a percentage of payroll	60%	87%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	(0.29%)	(0.26%)
Allocated pooled RHIA UAL	\$57,914	\$90,695
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$392,672	\$60,432	15.80%	\$386,884	\$61,128
Tier 2 General Service	10.57%	1,158,699	122,474	10.58%	1,194,151	126,341
Total General Service		1,551,371	182,906		1,581,035	187,469
Tier 1 Police & Fire	17.62%	782,116	137,809	17.89%	993,859	177,801
Tier 2 Police & Fire	15.63%	243,926	38,126	15.70%	323,680	50,818
Total Police & Fire		1,026,042	175,935		1,317,539	228,619
Total		\$2,577,413	\$358,841		\$2,898,574	\$416,088
Employer normal cost rate						
General Service			11.79%			11.86%
Police & Fire			17.15%			17.35%
Aggregate (Default)			13.92%			14.35%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	4,184,196	4,322,833
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$126,532	\$126,532
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(14,331)	(14,331)
5. Side account earnings during 2013		19,016	19,016
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$130,217	\$130,217

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$130,217	\$126,532
Side Account 2	0	0
Side Account 3	0	0
Total	\$130,217	\$126,532

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$130,217	\$126,532
2. Combined valuation payroll	4,184,196	4,322,833
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(0.29%)	(0.26%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Dayton/2252
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Dayton/2252

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Dayton/2252

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dayton -- #2252

September 2014

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Executive Summary

Milliman has prepared this report for City of Dayton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dayton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Dayton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.52%	12.52%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(7.88%)	(7.88%)	(7.88%)	(7.88%)	(7.88%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	7.94%	7.94%	11.93%	2.75%	6.86%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	8.47%	8.47%	12.46%	3.20%	7.31%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dayton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$249,428	\$263,196
Allocated pre-SLGRP pooled liability/(surplus)	(63,555)	(50,935)
Transition liability/(surplus)	(277,447)	(278,648)
Allocated pooled OPSRP UAL	23,260	18,118
Side account	0	0
Net unfunded pension actuarial accrued liability	(68,314)	(48,269)
Combined valuation payroll	328,970	257,060
Net pension UAL as a percentage of payroll	(21%)	(19%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(7.88%)	(9.62%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,553	\$5,393
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$85,049	\$13,089	15.80%	\$81,763	\$12,919
Tier 2 General Service	10.57%	125,232	13,237	10.58%	121,137	12,816
Total General Service		210,281	26,326		202,900	25,735
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$210,281	\$26,326		\$202,900	\$25,735
Employer normal cost rate						
General Service			12.52%			12.68%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.52%			12.68%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$278,648)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.68%)
B. Actual employer payroll	156,157
C. Payment to transition liability/(surplus)	(8,870)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.83%)
B. Actual employer payroll	156,929
C. Payment to transition liability/(surplus)	(12,287)
4. Supplemental payment to transition liability	0
5. Interest	(19,956)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$277,447)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(277,447)	(278,648)
2. Combined valuation payroll	328,970	257,060
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.88%)	(9.62%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	328,970	257,060
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Depoe Bay/2294
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Depoe Bay/2294

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Depoe Bay/2294

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Depoe Bay -- #2294

September 2014

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Executive Summary

Milliman has prepared this report for City of Depoe Bay to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Depoe Bay.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Depoe Bay

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.40%	12.40%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.07%)	(0.07%)	(0.07%)	(0.07%)	(0.07%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.63%	15.63%	19.74%	10.56%	14.67%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.16%	16.16%	20.27%	11.01%	15.12%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Depoe Bay

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$452,401	\$638,672
Allocated pre-SLGRP pooled liability/(surplus)	(115,274)	(123,600)
Transition liability/(surplus)	(4,629)	(4,752)
Allocated pooled OPSRP UAL	42,188	43,966
Side account	0	0
Net unfunded pension actuarial accrued liability	374,686	554,286
Combined valuation payroll	596,672	623,783
Net pension UAL as a percentage of payroll	63%	89%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.07%)	(0.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,259	\$13,087
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$158,507	\$24,394	15.80%	\$213,149	\$33,678
Tier 2 General Service	10.57%	258,671	27,342	10.58%	241,238	25,523
Total General Service		417,178	51,736		454,387	59,201
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$417,178	\$51,736		\$454,387	\$59,201
Employer normal cost rate						
General Service			12.40%			13.03%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.40%			13.03%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$4,752)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.07%)
B. Actual employer payroll	315,371
C. Payment to transition liability/(surplus)	(221)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.07%)
B. Actual employer payroll	337,123
C. Payment to transition liability/(surplus)	(235)
4. Supplemental payment to transition liability	0
5. Interest	(333)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$4,629)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(4,629)	(4,752)
2. Combined valuation payroll	596,672	623,783
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.07%)	(0.07%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	596,672	623,783
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Drain/2131
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Drain/2131

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Drain/2131

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Drain -- #2131

September 2014

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Executive Summary

Milliman has prepared this report for City of Drain to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Drain.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Drain

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.60%	12.60%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.90%	15.90%	19.81%	10.63%	14.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.43%	16.43%	20.34%	11.08%	15.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Drain

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$401,321	\$466,949
Allocated pre-SLGRP pooled liability/(surplus)	(102,258)	(90,367)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	37,425	32,145
Side account	0	0
Net unfunded pension actuarial accrued liability	336,488	408,727
Combined valuation payroll	529,302	456,063
Net pension UAL as a percentage of payroll	64%	90%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,326	\$9,568
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$114,853	\$17,676	15.80%	\$113,856	\$17,989
Tier 2 General Service	10.57%	158,454	16,749	10.58%	147,637	15,620
Total General Service		273,307	34,425		261,493	33,609
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$273,307	\$34,425		\$261,493	\$33,609
Employer normal cost rate						
General Service			12.60%			12.85%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.60%			12.85%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	529,302	456,063
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	529,302	456,063
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Dundee/2245
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Dundee/2245

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Dundee/2245

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dundee -- #2245

September 2014

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Executive Summary

Milliman has prepared this report for City of Dundee to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dundee.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Dundee

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.46%	12.51%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.60%)	(3.60%)	(3.60%)	(3.60%)	(3.60%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.97%	14.02%	19.13%	8.84%	12.95%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.50%	14.55%	19.66%	9.29%	13.40%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dundee

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$360,042	\$506,001
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(182,854)	(186,499)
Allocated pooled OPSRP UAL	33,575	34,833
Side account	0	0
Net unfunded pension actuarial accrued liability	210,763	354,335
Combined valuation payroll	474,859	494,205
Net pension UAL as a percentage of payroll	44%	72%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.60%)	(3.35%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,573	\$10,369
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$107,784	\$16,588	15.80%	\$106,294	\$16,794
Tier 2 General Service	10.57%	160,331	16,947	10.58%	154,709	16,368
Total General Service		268,115	33,535		261,003	33,162
Tier 1 Police & Fire	17.62%	61,358	10,811	17.89%	59,968	10,728
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		61,358	10,811		59,968	10,728
Total		\$329,473	\$44,346		\$320,971	\$43,890
Employer normal cost rate						
General Service			12.51%			12.71%
Police & Fire			17.62%			17.89%
Aggregate (Default)			13.46%			13.67%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$186,499)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.67%)
B. Actual employer payroll	241,970
C. Payment to transition liability/(surplus)	(8,880)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.42%)
B. Actual employer payroll	231,483
C. Payment to transition liability/(surplus)	(7,917)
4. Supplemental payment to transition liability	0
5. Interest	(13,152)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$182,854)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(182,854)	(186,499)
2. Combined valuation payroll	474,859	494,205
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.60%)	(3.35%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	474,859	494,205
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Dunes City/2299
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Dunes City/2299

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Dunes City/2299

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Dunes City -- #2299

September 2014

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Executive Summary

Milliman has prepared this report for City of Dunes City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Dunes City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Dunes City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	6.06%	6.06%	6.06%	6.06%	6.06%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.02%	22.38%	25.87%	16.69%	20.80%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	23.55%	22.91%	26.40%	17.14%	21.25%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Dunes City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$31,097	\$39,174
Allocated pre-SLGRP pooled liability/(surplus)	(7,924)	(7,581)
Transition liability/(surplus)	26,582	25,728
Allocated pooled OPSRP UAL	2,900	2,697
Side account	0	0
Net unfunded pension actuarial accrued liability	52,655	60,018
Combined valuation payroll	41,014	38,261
Net pension UAL as a percentage of payroll	128%	157%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	6.06%	5.97%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$568	\$803
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$25,728
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.05%
B. Actual employer payroll	19,800
C. Payment to transition liability/(surplus)	406
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	3.45%
B. Actual employer payroll	18,900
C. Payment to transition liability/(surplus)	652
4. Supplemental payment to transition liability	0
5. Interest	1,912
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$26,582

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	26,582	25,728
2. Combined valuation payroll	41,014	38,261
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	6.06%	5.97%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	41,014	38,261
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Durham/2269
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Durham/2269

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Durham/2269

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Durham -- #2269

September 2014

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Executive Summary

Milliman has prepared this report for City of Durham to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Durham.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Durham

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.48%)	(7.48%)	(7.48%)	(7.48%)	(7.48%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.02%	13.02%	14.14%	4.96%	9.07%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.55%	13.55%	14.67%	5.41%	9.52%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Durham

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$37,844	\$105,240
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(39,944)	(42,036)
Allocated pooled OPSRP UAL	3,529	7,245
Side account	0	0
Net unfunded pension actuarial accrued liability	1,429	70,449
Combined valuation payroll	49,913	102,787
Net pension UAL as a percentage of payroll	3%	69%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.48%)	(3.63%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$691	\$2,157
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$5,517	\$849	15.80%	\$4,873	\$770
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		5,517	849		4,873	770
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$5,517	\$849		\$4,873	\$770
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$42,036)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.38%)
B. Actual employer payroll	52,500
C. Payment to transition liability/(surplus)	(2,824)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.19%)
B. Actual employer payroll	51,094
C. Payment to transition liability/(surplus)	(2,141)
4. Supplemental payment to transition liability	0
5. Interest	(2,873)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$39,944)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(39,944)	(42,036)
2. Combined valuation payroll	49,913	102,787
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.48%)	(3.63%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	49,913	102,787
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Echo/2225
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Echo/2225

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Echo/2225

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Echo -- #2225

September 2014

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Executive Summary

Milliman has prepared this report for City of Echo to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Echo.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Echo

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.87%	14.87%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	6.26%	6.26%	6.26%	6.26%	6.26%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.43%	24.43%	26.07%	16.89%	21.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	24.96%	24.96%	26.60%	17.34%	21.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Echo

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$146,627	\$152,620
Allocated pre-SLGRP pooled liability/(surplus)	(37,361)	(29,536)
Transition liability/(surplus)	129,512	130,719
Allocated pooled OPSRP UAL	13,674	10,506
Side account	0	0
Net unfunded pension actuarial accrued liability	252,452	264,309
Combined valuation payroll	193,387	149,062
Net pension UAL as a percentage of payroll	131%	177%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	6.26%	7.78%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,677	\$3,127
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$123,255	\$18,969	15.80%	\$117,773	\$18,608
Tier 2 General Service	10.57%	14,965	1,582	10.58%	5,432	575
Total General Service		138,220	20,551		123,205	19,183
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$138,220	\$20,551		\$123,205	\$19,183
Employer normal cost rate						
General Service			14.87%			15.57%
Police & Fire			16.51%			16.72%
Aggregate (Default)			14.87%			15.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$130,719
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	6.15%
B. Actual employer payroll	71,797
C. Payment to transition liability/(surplus)	4,415
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	6.51%
B. Actual employer payroll	93,796
C. Payment to transition liability/(surplus)	6,107
4. Supplemental payment to transition liability	0
5. Interest	9,315
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$129,512

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	129,512	130,719
2. Combined valuation payroll	193,387	149,062
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	6.26%	7.78%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	193,387	149,062
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Elgin/2205
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

September 2014
City of Elgin/2205

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Elgin/2205

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Elgin -- #2205

September 2014

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Executive Summary

Milliman has prepared this report for City of Elgin to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Elgin.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Elgin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.83%	13.83%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(41.84%)	(41.84%)	(41.84%)	(41.84%)	(41.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Elgin

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$164,279	\$302,099
Allocated pre-SLGRP pooled liability/(surplus)	(41,859)	(58,464)
Transition liability/(surplus)	(970,366)	(931,852)
Allocated pooled OPSRP UAL	15,320	20,796
Side account	0	0
Net unfunded pension actuarial accrued liability	(832,626)	(667,421)
Combined valuation payroll	216,667	295,056
Net pension UAL as a percentage of payroll	(384%)	(226%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(41.84%)	(28.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,999	\$6,190
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$43,106	\$6,634	15.80%	\$51,967	\$8,211
Tier 2 General Service	10.57%	20,612	2,179	10.58%	19,553	2,069
Total General Service		63,718	8,813		71,520	10,280
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$63,718	\$8,813		\$71,520	\$10,280
Employer normal cost rate						
General Service			13.83%			14.37%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.83%			14.37%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$931,852)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(14.34%)
B. Actual employer payroll	134,148
C. Payment to transition liability/(surplus)	(15,379)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(13.25%)
B. Actual employer payroll	124,848
C. Payment to transition liability/(surplus)	(15,901)
4. Supplemental payment to transition liability	0
5. Interest	(69,794)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$970,366)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(970,366)	(931,852)
2. Combined valuation payroll	216,667	295,056
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(41.84%)	(28.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	216,667	295,056
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Elkton/2305
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Elkton/2305

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Elkton/2305

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Elkton -- #2305

September 2014

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Executive Summary

Milliman has prepared this report for City of Elkton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Elkton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Elkton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.04%	0.04%	0.04%	0.04%	0.04%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.91%	13.91%	19.85%	10.67%	14.78%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.44%	14.44%	20.38%	11.12%	15.23%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Elkton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$45,397	\$63,691
Allocated pre-SLGRP pooled liability/(surplus)	(11,567)	(12,326)
Transition liability/(surplus)	255	258
Allocated pooled OPSRP UAL	4,233	4,384
Side account	0	0
Net unfunded pension actuarial accrued liability	38,318	56,007
Combined valuation payroll	59,874	62,206
Net pension UAL as a percentage of payroll	64%	90%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.04%	0.04%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$829	\$1,305
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	59,874	6,329	10.58%	62,206	6,581
Total General Service		59,874	6,329		62,206	6,581
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$59,874	\$6,329		\$62,206	\$6,581
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$258
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.03%
B. Actual employer payroll	25,046
C. Payment to transition liability/(surplus)	8
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.04%
B. Actual employer payroll	32,529
C. Payment to transition liability/(surplus)	13
4. Supplemental payment to transition liability	0
5. Interest	18
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$255

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	255	258
2. Combined valuation payroll	59,874	62,206
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.04%	0.04%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	59,874	62,206
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Enterprise/2180
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Enterprise/2180

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Enterprise/2180

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Enterprise -- #2180

September 2014

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Executive Summary

Milliman has prepared this report for City of Enterprise to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Enterprise.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Enterprise

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.17%	12.73%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(0.06%)	(0.06%)	(0.06%)	(0.06%)	(0.06%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.22%	17.78%	22.67%	12.38%	16.49%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.75%	18.31%	23.20%	12.83%	16.94%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Enterprise

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$505,738	\$746,595
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,540)	(4,605)
Allocated pooled OPSRP UAL	47,162	51,395
Side account	0	0
Net unfunded pension actuarial accrued liability	548,360	793,385
Combined valuation payroll	667,018	729,190
Net pension UAL as a percentage of payroll	82%	109%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.06%)	(0.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,232	\$15,299
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$139,022	\$21,395	15.80%	\$184,877	\$29,211
Tier 2 General Service	10.57%	171,405	18,118	10.58%	175,423	18,560
Total General Service		310,427	39,513		360,300	47,771
Tier 1 Police & Fire	17.62%	129,838	22,877	17.89%	127,753	22,855
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		129,838	22,877		127,753	22,855
Total		\$440,265	\$62,390		\$488,053	\$70,626
Employer normal cost rate						
General Service			12.73%			13.26%
Police & Fire			17.62%			17.89%
Aggregate (Default)			14.17%			14.47%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$4,605)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.06%)
B. Actual employer payroll	335,684
C. Payment to transition liability/(surplus)	(201)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.06%)
B. Actual employer payroll	316,223
C. Payment to transition liability/(surplus)	(191)
4. Supplemental payment to transition liability	0
5. Interest	(327)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$4,540)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(4,540)	(4,605)
2. Combined valuation payroll	667,018	729,190
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.06%)	(0.06%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	667,018	729,190
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Estacada/2179
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Estacada/2179

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Estacada/2179

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Estacada -- #2179

September 2014

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Executive Summary

Milliman has prepared this report for City of Estacada to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Estacada.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Estacada

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.39%	13.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.97%	0.97%	0.97%	0.97%	0.97%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.66%	17.66%	20.78%	11.60%	15.71%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.19%	18.19%	21.31%	12.05%	16.16%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Estacada

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$592,680	\$763,695
Allocated pre-SLGRP pooled liability/(surplus)	(151,018)	(147,796)
Transition liability/(surplus)	81,196	83,696
Allocated pooled OPSRP UAL	55,270	52,572
Side account	0	0
Net unfunded pension actuarial accrued liability	578,128	752,167
Combined valuation payroll	781,686	745,891
Net pension UAL as a percentage of payroll	74%	101%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.97%	1.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,819	\$15,649
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$224,166	\$34,499	15.80%	\$216,644	\$34,230
Tier 2 General Service	10.57%	159,260	16,834	10.58%	154,239	16,318
Total General Service		383,426	51,333		370,883	50,548
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$383,426	\$51,333		\$370,883	\$50,548
Employer normal cost rate						
General Service			13.39%			13.63%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.39%			13.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$83,696
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	1.12%
B. Actual employer payroll	393,920
C. Payment to transition liability/(surplus)	4,412
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.94%
B. Actual employer payroll	417,820
C. Payment to transition liability/(surplus)	3,928
4. Supplemental payment to transition liability	0
5. Interest	5,840
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$81,196

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	81,196	83,696
2. Combined valuation payroll	781,686	745,891
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.97%	1.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	781,686	745,891
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Fairview/2208
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Fairview/2208

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Fairview/2208

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Fairview -- #2208

September 2014

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Executive Summary

Milliman has prepared this report for City of Fairview to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Fairview.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Fairview

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.61%	12.23%	16.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.65%	4.65%	4.65%	4.65%	4.65%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.03%)	(4.03%)	(4.03%)	(4.03%)	(4.03%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.84%	13.46%	17.85%	8.56%	12.67%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.37%	13.99%	18.38%	9.01%	13.12%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Fairview

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,710,282	\$2,359,596
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(972,222)	(988,310)
Allocated pooled OPSRP UAL	159,491	162,434
Side account	0	0
Net unfunded pension actuarial accrued liability	897,551	1,533,720
Combined valuation payroll	2,255,691	2,304,588
Net pension UAL as a percentage of payroll	40%	67%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.03%)	(3.80%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$31,221	\$48,351
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$246,370	\$37,916	15.80%	\$242,055	\$38,245
Tier 2 General Service	10.57%	470,208	49,701	10.58%	626,984	66,335
Total General Service		716,578	87,617		869,039	104,580
Tier 1 Police & Fire	17.62%	164,508	28,986	17.89%	165,376	29,586
Tier 2 Police & Fire	15.63%	164,679	25,739	15.70%	159,702	25,073
Total Police & Fire		329,187	54,725		325,078	54,659
Total		\$1,045,765	\$142,342		\$1,194,117	\$159,239
Employer normal cost rate						
General Service			12.23%			12.03%
Police & Fire			16.62%			16.81%
Aggregate (Default)			13.61%			13.34%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$988,310)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.86%)
B. Actual employer payroll	1,094,313
C. Payment to transition liability/(surplus)	(42,240)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.83%)
B. Actual employer payroll	1,142,959
C. Payment to transition liability/(surplus)	(43,776)
4. Supplemental payment to transition liability	0
5. Interest	(69,928)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$972,222)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(972,222)	(988,310)
2. Combined valuation payroll	2,255,691	2,304,588
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.03%)	(3.80%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,255,691	2,304,588
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Falls City/2224
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Falls City/2224

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Falls City/2224

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Falls City -- #2224

September 2014

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Executive Summary

Milliman has prepared this report for City of Falls City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Falls City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Falls City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.03%	12.03%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.45%)	(4.45%)	(4.45%)	(4.45%)	(4.45%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.69%	12.69%	17.17%	7.99%	12.10%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.22%	13.22%	17.70%	8.44%	12.55%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Falls City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$128,675	\$170,977
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(80,762)	(83,997)
Allocated pooled OPSRP UAL	12,000	11,770
Side account	0	0
Net unfunded pension actuarial accrued liability	59,913	98,750
Combined valuation payroll	169,710	166,991
Net pension UAL as a percentage of payroll	35%	59%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.45%)	(4.46%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,349	\$3,504
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$41,033	\$6,315	15.80%	\$41,533	\$6,562
Tier 2 General Service	10.57%	94,236	9,961	10.58%	92,557	9,793
Total General Service		135,269	16,276		134,090	16,355
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$135,269	\$16,276		\$134,090	\$16,355
Employer normal cost rate						
General Service			12.03%			12.20%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.03%			12.20%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$83,997)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.31%)
B. Actual employer payroll	79,627
C. Payment to transition liability/(surplus)	(5,024)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.88%)
B. Actual employer payroll	82,365
C. Payment to transition liability/(surplus)	(4,020)
4. Supplemental payment to transition liability	0
5. Interest	(5,809)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$80,762)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(80,762)	(83,997)
2. Combined valuation payroll	169,710	166,991
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.45%)	(4.46%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	169,710	166,991
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Florence/2291
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Florence/2291

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Florence/2291

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Florence -- #2291

September 2014

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Executive Summary

Milliman has prepared this report for City of Florence to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Florence.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Florence

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.10%	12.87%	16.43%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.22%)	(9.22%)	(9.22%)	(9.22%)	(9.22%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.99%	8.76%	12.32%	3.22%	7.33%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.52%	9.29%	12.85%	3.67%	7.78%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Florence

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,217,475	\$2,851,421
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,884,866)	(2,880,484)
Allocated pooled OPSRP UAL	206,789	196,291
Side account	0	0
Net unfunded pension actuarial accrued liability	(460,602)	167,228
Combined valuation payroll	2,924,628	2,784,947
Net pension UAL as a percentage of payroll	(16%)	6%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.22%)	(9.18%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$40,480	\$58,429
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$546,129	\$84,049	15.80%	\$547,905	\$86,569
Tier 2 General Service	10.57%	599,372	63,354	10.58%	575,122	60,848
Total General Service		1,145,501	147,403		1,123,027	147,417
Tier 1 Police & Fire	17.62%	242,578	42,742	17.89%	402,866	72,073
Tier 2 Police & Fire	15.63%	362,903	56,722	15.70%	353,163	55,447
Total Police & Fire		605,481	99,464		756,029	127,520
Total		\$1,750,982	\$246,867		\$1,879,056	\$274,937
Employer normal cost rate						
General Service			12.87%			13.13%
Police & Fire			16.43%			16.87%
Aggregate (Default)			14.10%			14.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,880,484)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.24%)
B. Actual employer payroll	1,413,713
C. Payment to transition liability/(surplus)	(88,216)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.55%)
B. Actual employer payroll	1,521,831
C. Payment to transition liability/(surplus)	(114,898)
4. Supplemental payment to transition liability	0
5. Interest	(207,496)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,884,866)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,884,866)	(2,880,484)
2. Combined valuation payroll	2,924,628	2,784,947
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(9.22%)	(9.18%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,924,628	2,784,947
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Garibaldi/2220
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Garibaldi/2220

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Garibaldi/2220

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Garibaldi -- #2220

September 2014

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Executive Summary

Milliman has prepared this report for City of Garibaldi to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Garibaldi.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Garibaldi

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.26%	12.26%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	1.92%	1.92%	1.92%	1.92%	1.92%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	19.29%	19.29%	23.54%	14.36%	18.47%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.82%	19.82%	24.07%	14.81%	18.92%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Garibaldi

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$229,261	\$199,804
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	62,144	64,800
Allocated pooled OPSRP UAL	21,380	13,754
Side account	0	0
Net unfunded pension actuarial accrued liability	312,785	278,358
Combined valuation payroll	302,372	195,146
Net pension UAL as a percentage of payroll	103%	143%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	1.92%	2.95%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,185	\$4,094
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$56,901	\$8,757	15.80%	\$52,551	\$8,303
Tier 2 General Service	10.57%	105,818	11,185	10.58%	39,885	4,220
Total General Service		162,719	19,942		92,436	12,523
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$162,719	\$19,942		\$92,436	\$12,523
Employer normal cost rate						
General Service			12.26%			13.55%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.26%			13.55%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$64,800
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.48%
B. Actual employer payroll	132,848
C. Payment to transition liability/(surplus)	3,295
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	2.47%
B. Actual employer payroll	155,124
C. Payment to transition liability/(surplus)	3,831
4. Supplemental payment to transition liability	0
5. Interest	4,470
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$62,144

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	62,144	64,800
2. Combined valuation payroll	302,372	195,146
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.92%	2.95%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	302,372	195,146
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Gaston/2242
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Gaston/2242

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Gaston/2242

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gaston -- #2242

September 2014

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Executive Summary

Milliman has prepared this report for City of Gaston to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gaston.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Gaston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(67.60%)	(67.60%)	(67.60%)	(67.60%)	(67.60%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gaston

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$36,388	\$49,147
Allocated pre-SLGRP pooled liability/(surplus)	(9,272)	(9,511)
Transition liability/(surplus)	(347,218)	(326,988)
Allocated pooled OPSRP UAL	3,393	3,383
Side account	0	0
Net unfunded pension actuarial accrued liability	(316,709)	(283,969)
Combined valuation payroll	47,992	48,001
Net pension UAL as a percentage of payroll	(660%)	(592%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(67.60%)	(60.43%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$664	\$1,007
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$47,992	\$7,386	15.80%	\$48,001	\$7,584
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		47,992	7,386		48,001	7,584
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$47,992	\$7,386		\$48,001	\$7,584
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$326,988)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.28%)
B. Actual employer payroll	23,064
C. Payment to transition liability/(surplus)	(2,371)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(10.29%)
B. Actual employer payroll	23,064
C. Payment to transition liability/(surplus)	(2,373)
4. Supplemental payment to transition liability	0
5. Interest	(24,974)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$347,218)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(347,218)	(326,988)
2. Combined valuation payroll	47,992	48,001
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(67.60%)	(60.43%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	47,992	48,001
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Gladstone/2304
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Gladstone/2304

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Gladstone/2304

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gladstone -- #2304

September 2014

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Executive Summary

Milliman has prepared this report for City of Gladstone to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gladstone.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Gladstone

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.58%	13.03%	16.76%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.75%)	(5.75%)	(5.75%)	(5.75%)	(5.75%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.94%	12.39%	16.12%	6.69%	10.80%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.47%	12.92%	16.65%	7.14%	11.25%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gladstone

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,909,406	\$2,498,276
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,550,686)	(1,588,778)
Allocated pooled OPSRP UAL	178,060	171,980
Side account	0	0
Net unfunded pension actuarial accrued liability	536,780	1,081,478
Combined valuation payroll	2,518,316	2,440,035
Net pension UAL as a percentage of payroll	21%	44%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.75%)	(5.78%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$34,856	\$51,193
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$408,071	\$62,802	15.80%	\$482,648	\$76,258
Tier 2 General Service	10.57%	390,679	41,295	10.58%	379,838	40,187
Total General Service		798,750	104,097		862,486	116,445
Tier 1 Police & Fire	17.62%	321,691	56,682	17.89%	308,719	55,230
Tier 2 Police & Fire	15.63%	247,137	38,628	15.70%	242,208	38,027
Total Police & Fire		568,828	95,310		550,927	93,257
Total		\$1,367,578	\$199,407		\$1,413,413	\$209,702
Employer normal cost rate						
General Service			13.03%			13.50%
Police & Fire			16.76%			16.93%
Aggregate (Default)			14.58%			14.84%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,588,778)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.79%)
B. Actual employer payroll	1,207,308
C. Payment to transition liability/(surplus)	(69,903)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.09%)
B. Actual employer payroll	1,309,075
C. Payment to transition liability/(surplus)	(79,723)
4. Supplemental payment to transition liability	0
5. Interest	(111,534)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,550,686)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,550,686)	(1,588,778)
2. Combined valuation payroll	2,518,316	2,440,035
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.75%)	(5.78%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,518,316	2,440,035
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Gold Hill/2274
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Gold Hill/2274

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Gold Hill/2274

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Gold Hill -- #2274

September 2014

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Executive Summary

Milliman has prepared this report for City of Gold Hill to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Gold Hill.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Gold Hill

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(11.28%)	(11.28%)	(11.28%)	(11.28%)	(11.28%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	2.59%	2.59%	8.53%	0.00%	3.46%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	3.12%	3.12%	9.06%	0.45%	3.91%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Gold Hill

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$156,024	\$249,865
Allocated pre-SLGRP pooled liability/(surplus)	(39,756)	(48,356)
Transition liability/(surplus)	(248,368)	(252,851)
Allocated pooled OPSRP UAL	14,550	17,201
Side account	0	0
Net unfunded pension actuarial accrued liability	(117,550)	(34,141)
Combined valuation payroll	205,780	244,040
Net pension UAL as a percentage of payroll	(57%)	(14%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(11.28%)	(9.19%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,848	\$5,120
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	92,804	9,809	10.58%	158,870	16,808
Total General Service		92,804	9,809		158,870	16,808
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$92,804	\$9,809		\$158,870	\$16,808
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$252,851)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.84%)
B. Actual employer payroll	130,931
C. Payment to transition liability/(surplus)	(11,574)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(9.07%)
B. Actual employer payroll	118,770
C. Payment to transition liability/(surplus)	(10,773)
4. Supplemental payment to transition liability	0
5. Interest	(17,864)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$248,368)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(248,368)	(252,851)
2. Combined valuation payroll	205,780	244,040
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(11.28%)	(9.19%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	205,780	244,040
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Grants Pass/2113
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

As of January 1, 2014, you joined the State & Local Government Rate Pool (SLGRP). This report shows the calculations related to joining the SLGRP and reflects that transition in the results

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- The development of your transition liability or surplus upon joining the SLGRP,
- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of Grants Pass/2113

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Grants Pass/2113

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Grants Pass -- #2113

September 2014

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Executive Summary

Milliman has prepared this report for City of Grants Pass to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Grants Pass.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Grants Pass

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.58%	12.49%	16.54%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.24%)	(1.24%)	(1.24%)	(1.24%)	(1.24%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.45%	16.36%	20.41%	11.20%	15.31%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.98%	16.89%	20.94%	11.65%	15.76%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Grants Pass

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL ¹	\$9,787,165	\$11,151,537
Allocated pre-SLGRP pooled liability/(surplus)	0	N/A
Transition liability/(surplus)	(2,058,614)	N/A
Allocated pooled OPSRP UAL	912,824	935,013
Side account	0	0
Net unfunded pension actuarial accrued liability	8,641,375	12,086,550
Combined valuation payroll	12,910,124	13,265,839
Net pension UAL as a percentage of payroll	67%	91%
Pre-SLGRP pooled rate	0.00%	N/A
Transition rate	(1.24%)	N/A
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$178,690	\$278,323
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

¹ The UAL shown as of December 31, 2012 is the UAL as an independent employer, not as a member of the SLGRP.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Joining the SLGRP

As of December 31, 2013, City of Grants Pass was an independent employer, but joined the SLGRP effective January 1, 2014. Since the contribution rate effective July 1, 2015 is based on the SLGRP's contribution rate adjusted for any transition liability or surplus, this report shows the valuation results for the SLGRP. However, this section of the report summarizes your experience as an independent employer through December 31, 2013 and the calculation of the transition liability or surplus effective January 1, 2014 when you joined the SLGRP.

Funded Status and UAL as an Independent Employer

Tier 1/Tier 2 Pension	December 31, 2013	December 31, 2012
1. Actuarial accrued liability	\$68,391,476	\$65,439,529
2. Actuarial value of assets	60,662,925	54,287,992
3. Unfunded accrued liability (1. - 2.)	7,728,551	11,151,537
4. Funded percentage (2. ÷ 1.)	89%	83%
5. Combined valuation payroll	\$12,910,124	\$13,265,839
6. Unfunded accrued liability as % of combined valuation payroll (3. ÷ 5.)	60%	84%

Joining the SLGRP

Actuarial Gain or Loss since Prior Valuation

The system-wide report contains a detailed analysis of gains and losses since the last valuation. The table below shows the gain or loss for the individual employer.

1. Expected actuarial accrued liability	
a. Actuarial accrued liability at December 31, 2012	\$65,439,529
b. Normal cost at December 31, 2012	1,179,963
c. Benefit payments during 2013	(3,566,018)
d. Interest at 7.75% to December 31, 2013	5,024,827
e. Expected actuarial accrued liability before changes (a. + b. + c. + d.)	68,078,301
f. Change in actuarial accrued liability due to assumption, method, and plan changes	0
g. Expected actuarial accrued liability at December 31, 2013 (e. + f.)	68,078,301
2. Actuarial accrued liability at December 31, 2013	68,391,476
3. Gain/(loss) on actuarial accrued liability (1.g. - 2.)	(313,175)
4. Expected actuarial value of assets	
a. Actuarial value of assets at December 31, 2012	54,287,992
b. Contributions for 2013 ¹	1,624,585
c. Benefit payments and expenses during 2013	(3,594,528)
d. Interest at 7.75% to December 31, 2013	4,130,984
e. Expected actuarial value of assets at December 31, 2013 (a. + b. + c. + d.)	56,449,033
5. Actuarial value of assets at December 31, 2013	60,662,925
6. Gain/(loss) on actuarial value of assets (5. - 4.e.)	4,213,892
7. Total actuarial gain/(loss) (3. + 6.)	\$3,900,717

¹ Includes rate relief from side accounts.

Joining the SLGRP

Calculation of Transition Liability

An employer’s UAL at the date it joins the SLGRP is allocated between the SLGRP and an employer-specific transition liability or surplus. This allocation ensures that the SLGRP UAL rate developed at the merger date is not affected positively or negatively by merging employers. The transition liability or surplus can be thought of as a rate-pooling mechanism that ensures each employer in the SLGRP is on a comparable basis. Each rate-setting valuation develops a rate charge or offset to amortize the transition liability or surplus initially calculated at the time of SLGRP entry over a set time period as a level percent of projected payroll.

The table below shows the calculation of the transition liability or surplus as of the January 1, 2014 SLGRP merger date.

Tier 1/Tier 2 Pension	SLGRP Prior to New Employers	City of Grants Pass
1. UAL prior to joining the SLGRP	\$3,873,063,726	\$7,728,551
2. Combined valuation payroll	\$5,108,846,962	\$12,910,124
3. UAL as a percentage of payroll (1. ÷ 2.)	75.81%	
4. UAL allocated to SLGRP (2. × 3.)		\$9,787,165
5. UAL allocated to transition liability (1. - 4.)		(\$2,058,614)
6. UAL after joining SLGRP (4. + 5.)		\$7,728,551

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate at December 31, 2013

	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,357,862	\$208,975
Tier 2 General Service	10.57%	2,058,973	217,633
Total General Service		3,416,835	426,608
Tier 1 Police & Fire	17.62%	1,666,323	293,606
Tier 2 Police & Fire	15.63%	1,965,268	307,171
Total Police & Fire		3,631,591	600,777
Total		\$7,048,426	\$1,027,385
Employer normal cost rate			
General Service			12.49%
Police & Fire			16.54%
Aggregate (Default)			14.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Development of Transition Liability or Surplus Rate

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below develops the contribution rate for the transition liability or surplus.

	December 31, 2013
1. Total transition liability/(surplus)	(2,058,614)
2. Combined valuation payroll	12,910,124
3. Regular amortization factor	12.856
4. Total transition liability/(surplus) rate	(1.24%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	12,910,124	13,265,839
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Halsey/2284
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Halsey/2284

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Halsey/2284

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Halsey -- #2284

September 2014

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Executive Summary

Milliman has prepared this report for City of Halsey to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Halsey.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Halsey

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(12.68%)	(12.68%)	(12.68%)	(12.68%)	(12.68%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	3.00%	3.00%	8.94%	0.00%	3.87%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	3.53%	3.53%	9.47%	0.45%	4.32%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Halsey

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$90,555	\$209,657
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(162,025)	(162,191)
Allocated pooled OPSRP UAL	8,445	14,433
Side account	0	0
Net unfunded pension actuarial accrued liability	(63,025)	61,899
Combined valuation payroll	119,433	204,769
Net pension UAL as a percentage of payroll	(53%)	30%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(12.68%)	(7.03%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,653	\$4,296
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	119,433	12,624	10.58%	204,769	21,665
Total General Service		119,433	12,624		204,769	21,665
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$119,433	\$12,624		\$204,769	\$21,665
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$162,191)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.76%)
B. Actual employer payroll	118,868
C. Payment to transition liability/(surplus)	(8,035)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.10%)
B. Actual employer payroll	62,045
C. Payment to transition liability/(surplus)	(3,785)
4. Supplemental payment to transition liability	0
5. Interest	(11,654)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$162,025)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(162,025)	(162,191)
2. Combined valuation payroll	119,433	204,769
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(12.68%)	(7.03%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	119,433	204,769
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Happy Valley/2296
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Happy Valley/2296

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Happy Valley/2296

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Happy Valley -- #2296

September 2014

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Executive Summary

Milliman has prepared this report for City of Happy Valley to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Happy Valley.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Happy Valley

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.87%	13.87%	19.81%	10.63%	14.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.40%	14.40%	20.34%	11.08%	15.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Happy Valley

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,707,037	\$2,009,634
Allocated pre-SLGRP pooled liability/(surplus)	(434,961)	(388,918)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	159,189	138,342
Side account	0	0
Net unfunded pension actuarial accrued liability	1,431,265	1,759,058
Combined valuation payroll	2,251,412	1,962,784
Net pension UAL as a percentage of payroll	64%	90%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$31,162	\$41,180
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	883,466	93,382	10.58%	938,615	99,305
Total General Service		883,466	93,382		938,615	99,305
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$883,466	\$93,382		\$938,615	\$99,305
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	2,251,412	1,962,784
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,251,412	1,962,784
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Harrisburg/2268
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Harrisburg/2268

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Harrisburg/2268

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Harrisburg -- #2268

September 2014

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Executive Summary

Milliman has prepared this report for City of Harrisburg to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Harrisburg.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Harrisburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.39%	12.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.89%)	(0.89%)	(0.89%)	(0.89%)	(0.89%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.80%	14.80%	18.92%	9.74%	13.85%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.33%	15.33%	19.45%	10.19%	14.30%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Harrisburg

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$510,169	\$719,083
Allocated pre-SLGRP pooled liability/(surplus)	(129,993)	(139,162)
Transition liability/(surplus)	(64,116)	(65,370)
Allocated pooled OPSRP UAL	47,575	49,501
Side account	0	0
Net unfunded pension actuarial accrued liability	363,635	564,052
Combined valuation payroll	672,862	702,319
Net pension UAL as a percentage of payroll	54%	80%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.89%)	(0.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,313	\$14,735
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$118,429	\$18,226	15.80%	\$206,032	\$32,553
Tier 2 General Service	10.57%	194,856	20,596	10.58%	227,621	24,082
Total General Service		313,285	38,822		433,653	56,635
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$313,285	\$38,822		\$433,653	\$56,635
Employer normal cost rate						
General Service			12.39%			13.06%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.39%			13.06%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$65,370)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.82%)
B. Actual employer payroll	351,508
C. Payment to transition liability/(surplus)	(2,882)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.85%)
B. Actual employer payroll	350,984
C. Payment to transition liability/(surplus)	(2,984)
4. Supplemental payment to transition liability	0
5. Interest	(4,612)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$64,116)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(64,116)	(65,370)
2. Combined valuation payroll	672,862	702,319
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.89%)	(0.83%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	672,862	702,319
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Heppner/2193
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Heppner/2193

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Heppner/2193

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Heppner -- #2193

September 2014

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Executive Summary

Milliman has prepared this report for City of Heppner to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Heppner.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Heppner

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(17.53%)	(17.53%)	(17.53%)	(17.53%)	(17.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	2.28%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	2.81%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Heppner

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$188,623	\$175,256
Allocated pre-SLGRP pooled liability/(surplus)	(48,062)	(33,917)
Transition liability/(surplus)	(466,680)	(459,690)
Allocated pooled OPSRP UAL	17,590	12,065
Side account	0	0
Net unfunded pension actuarial accrued liability	(308,529)	(306,286)
Combined valuation payroll	248,775	171,170
Net pension UAL as a percentage of payroll	(124%)	(179%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(17.53%)	(23.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,443	\$3,591
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$459,690)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(14.37%)
B. Actual employer payroll	115,526
C. Payment to transition liability/(surplus)	(12,431)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(14.77%)
B. Actual employer payroll	132,043
C. Payment to transition liability/(surplus)	(14,145)
4. Supplemental payment to transition liability	0
5. Interest	(33,566)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$466,680)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(466,680)	(459,690)
2. Combined valuation payroll	248,775	171,170
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(17.53%)	(23.83%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	248,775	171,170
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Hermiston/2160
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Hermiston/2160

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Hermiston/2160

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hermiston -- #2160

September 2014

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Executive Summary

Milliman has prepared this report for City of Hermiston to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hermiston.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Hermiston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.47%	12.10%	16.18%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.36%)	(1.36%)	(1.36%)	(1.36%)	(1.36%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.22%	15.85%	19.93%	11.08%	15.19%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.75%	16.38%	20.46%	11.53%	15.64%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hermiston

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,073,491	\$4,985,294
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(782,121)	(805,845)
Allocated pooled OPSRP UAL	379,870	343,186
Side account	0	0
Net unfunded pension actuarial accrued liability	3,671,240	4,522,635
Combined valuation payroll	5,372,528	4,869,074
Net pension UAL as a percentage of payroll	68%	93%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.36%)	(1.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$74,362	\$102,155
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$742,510	\$114,272	15.80%	\$706,161	\$111,573
Tier 2 General Service	10.57%	1,590,088	168,072	10.58%	1,577,408	166,890
Total General Service		2,332,598	282,344		2,283,569	278,463
Tier 1 Police & Fire	17.62%	323,338	56,972	17.89%	299,143	53,517
Tier 2 Police & Fire	15.63%	856,596	133,886	15.70%	893,089	140,215
Total Police & Fire		1,179,934	190,858		1,192,232	193,732
Total		\$3,512,532	\$473,202		\$3,475,801	\$472,195
Employer normal cost rate						
General Service			12.10%			12.19%
Police & Fire			16.18%			16.25%
Aggregate (Default)			13.47%			13.59%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$805,845)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.48%)
B. Actual employer payroll	2,560,950
C. Payment to transition liability/(surplus)	(37,902)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.54%)
B. Actual employer payroll	2,732,288
C. Payment to transition liability/(surplus)	(42,077)
4. Supplemental payment to transition liability	0
5. Interest	(56,255)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$782,121)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(782,121)	(805,845)
2. Combined valuation payroll	5,372,528	4,869,074
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.36%)	(1.47%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,372,528	4,869,074
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
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September 2014

City of Hines/2226
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Hines/2226

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Hines/2226

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hines -- #2226

September 2014

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Executive Summary

Milliman has prepared this report for City of Hines to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hines.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Hines

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.83%	12.83%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.01%)	(1.01%)	(1.01%)	(1.01%)	(1.01%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.12%	15.12%	18.80%	9.62%	13.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.65%	15.65%	19.33%	10.07%	14.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hines

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$274,443	\$323,769
Allocated pre-SLGRP pooled liability/(surplus)	(69,929)	(62,658)
Transition liability/(surplus)	(39,108)	(39,665)
Allocated pooled OPSRP UAL	25,593	22,288
Side account	0	0
Net unfunded pension actuarial accrued liability	190,999	243,734
Combined valuation payroll	361,963	316,221
Net pension UAL as a percentage of payroll	53%	77%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.01%)	(1.11%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,010	\$6,634
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$52,747	\$8,118	15.80%	\$83,927	\$13,260
Tier 2 General Service	10.57%	59,943	6,336	10.58%	57,083	6,039
Total General Service		112,690	14,454		141,010	19,299
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$112,690	\$14,454		\$141,010	\$19,299
Employer normal cost rate						
General Service			12.83%			13.69%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.83%			13.69%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$39,665)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.89%)
B. Actual employer payroll	162,326
C. Payment to transition liability/(surplus)	(1,445)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.06%)
B. Actual employer payroll	181,577
C. Payment to transition liability/(surplus)	(1,925)
4. Supplemental payment to transition liability	0
5. Interest	(2,813)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$39,108)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(39,108)	(39,665)
2. Combined valuation payroll	361,963	316,221
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.01%)	(1.11%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	361,963	316,221
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Hood River/2138
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Hood River/2138

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Hood River/2138

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hood River -- #2138

September 2014

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Executive Summary

Milliman has prepared this report for City of Hood River to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hood River.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Hood River

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.53%	13.70%	16.38%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.15%)	(1.15%)	(1.15%)	(1.15%)	(1.15%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.68%	15.85%	18.53%	9.48%	13.59%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.21%	16.38%	19.06%	9.93%	14.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hood River

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,635,886	\$3,853,618
Allocated pre-SLGRP pooled liability/(surplus)	(671,636)	(745,779)
Transition liability/(surplus)	(429,239)	(434,265)
Allocated pooled OPSRP UAL	245,808	265,282
Side account	0	0
Net unfunded pension actuarial accrued liability	1,780,819	2,938,856
Combined valuation payroll	3,476,471	3,763,780
Net pension UAL as a percentage of payroll	51%	78%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.15%)	(1.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$48,118	\$78,966
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$473,923	\$72,937	15.80%	\$524,233	\$82,829
Tier 2 General Service	10.57%	255,673	27,025	10.58%	304,774	32,245
Total General Service		729,596	99,962		829,007	115,074
Tier 1 Police & Fire	17.62%	588,997	103,781	17.89%	689,303	123,316
Tier 2 Police & Fire	15.63%	974,294	152,282	15.70%	1,111,051	174,435
Total Police & Fire		1,563,291	256,063		1,800,354	297,751
Total		\$2,292,887	\$356,025		\$2,629,361	\$412,825
Employer normal cost rate						
General Service			13.70%			13.88%
Police & Fire			16.38%			16.54%
Aggregate (Default)			15.53%			15.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$434,265)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.88%)
B. Actual employer payroll	1,723,855
C. Payment to transition liability/(surplus)	(15,170)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.10%)
B. Actual employer payroll	1,884,517
C. Payment to transition liability/(surplus)	(20,729)
4. Supplemental payment to transition liability	0
5. Interest	(30,873)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$429,239)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(429,239)	(434,265)
2. Combined valuation payroll	3,476,471	3,763,780
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.15%)	(1.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,476,471	3,763,780
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Hubbard/2196
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Hubbard/2196

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Hubbard/2196

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Hubbard -- #2196

September 2014

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Executive Summary

Milliman has prepared this report for City of Hubbard to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Hubbard.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Hubbard

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.58%	14.50%	16.99%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(0.15%)	(0.15%)	(0.15%)	(0.15%)	(0.15%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.54%	19.46%	21.95%	12.29%	16.40%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	21.07%	19.99%	22.48%	12.74%	16.85%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Hubbard

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$514,994	\$754,424
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(10,983)	(11,101)
Allocated pooled OPSRP UAL	48,025	51,934
Side account	0	0
Net unfunded pension actuarial accrued liability	552,036	795,257
Combined valuation payroll	679,226	736,836
Net pension UAL as a percentage of payroll	81%	108%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.15%)	(0.13%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,401	\$15,459
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$189,116	\$29,105	15.80%	\$190,881	\$30,159
Tier 2 General Service	10.57%	42,586	4,501	10.58%	42,324	4,478
Total General Service		231,702	33,606		233,205	34,637
Tier 1 Police & Fire	17.62%	120,476	21,228	17.89%	125,123	22,385
Tier 2 Police & Fire	15.63%	56,173	8,780	15.70%	61,196	9,608
Total Police & Fire		176,649	30,008		186,319	31,993
Total		\$408,351	\$63,614		\$419,524	\$66,630
Employer normal cost rate						
General Service			14.50%			14.85%
Police & Fire			16.99%			17.17%
Aggregate (Default)			15.58%			15.88%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$11,101)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	341,592
C. Payment to transition liability/(surplus)	(444)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.13%)
B. Actual employer payroll	357,624
C. Payment to transition liability/(surplus)	(464)
4. Supplemental payment to transition liability	0
5. Interest	(790)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$10,983)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(10,983)	(11,101)
2. Combined valuation payroll	679,226	736,836
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.15%)	(0.13%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	679,226	736,836
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Huntington/2191
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Huntington/2191

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Huntington/2191

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Huntington -- #2191

September 2014

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Executive Summary

Milliman has prepared this report for City of Huntington to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Huntington.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Huntington

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	33.54%	33.54%	33.54%	33.54%	33.54%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	50.50%	49.86%	53.35%	44.17%	48.28%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	51.03%	50.39%	53.88%	44.62%	48.73%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Huntington

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$74,313	\$92,627
Allocated pre-SLGRP pooled liability/(surplus)	(18,935)	(17,926)
Transition liability/(surplus)	351,810	363,152
Allocated pooled OPSRP UAL	6,930	6,376
Side account	0	0
Net unfunded pension actuarial accrued liability	414,118	444,229
Combined valuation payroll	98,012	90,468
Net pension UAL as a percentage of payroll	423%	491%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	33.54%	35.61%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,357	\$1,898
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$363,152
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	42.09%
B. Actual employer payroll	45,187
C. Payment to transition liability/(surplus)	19,019
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	37.38%
B. Actual employer payroll	47,156
C. Payment to transition liability/(surplus)	17,627
4. Supplemental payment to transition liability	0
5. Interest	25,304
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$351,810

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	351,810	363,152
2. Combined valuation payroll	98,012	90,468
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	33.54%	35.61%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	98,012	90,468
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Independence/2267
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Independence/2267

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Independence/2267

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Independence -- #2267

September 2014

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Executive Summary

Milliman has prepared this report for City of Independence to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Independence.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Independence

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.16%	13.91%	17.04%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(2.88%)	(2.88%)	(2.88%)	(2.88%)	(2.88%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.58%	14.33%	17.46%	7.75%	11.86%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.11%	14.86%	17.99%	8.20%	12.31%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Independence

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,705,276	\$2,191,299
Allocated pre-SLGRP pooled liability/(surplus)	(434,512)	(424,076)
Transition liability/(surplus)	(693,006)	(692,953)
Allocated pooled OPSRP UAL	159,024	150,848
Side account	0	0
Net unfunded pension actuarial accrued liability	736,782	1,225,118
Combined valuation payroll	2,249,089	2,140,214
Net pension UAL as a percentage of payroll	33%	57%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(2.88%)	(2.87%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$31,130	\$44,903
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$528,996	\$81,412	15.80%	\$532,837	\$84,188
Tier 2 General Service	10.57%	234,861	24,825	10.58%	228,994	24,228
Total General Service		763,857	106,237		761,831	108,416
Tier 1 Police & Fire	17.62%	361,654	63,723	17.89%	367,572	65,759
Tier 2 Police & Fire	15.63%	150,401	23,508	15.70%	168,536	26,460
Total Police & Fire		512,055	87,231		536,108	92,219
Total		\$1,275,912	\$193,468		\$1,297,939	\$200,635
Employer normal cost rate						
General Service			13.91%			14.23%
Police & Fire			17.04%			17.20%
Aggregate (Default)			15.16%			15.46%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$692,953)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.08%)
B. Actual employer payroll	1,031,531
C. Payment to transition liability/(surplus)	(21,456)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.57%)
B. Actual employer payroll	1,102,558
C. Payment to transition liability/(surplus)	(28,336)
4. Supplemental payment to transition liability	0
5. Interest	(49,845)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$693,006)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(693,006)	(692,953)
2. Combined valuation payroll	2,249,089	2,140,214
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.88%)	(2.87%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,249,089	2,140,214
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Irrigon/2266
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Irrigon/2266

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Irrigon/2266

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Irrigon -- #2266

September 2014

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Executive Summary

Milliman has prepared this report for City of Irrigon to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Irrigon.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Irrigon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.18%	12.18%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.48%)	(1.48%)	(1.48%)	(1.48%)	(1.48%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.00%	14.00%	18.33%	9.15%	13.26%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.53%	14.53%	18.86%	9.60%	13.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Irrigon

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$315,147	\$410,738
Allocated pre-SLGRP pooled liability/(surplus)	(80,301)	(79,489)
Transition liability/(surplus)	(65,693)	(67,451)
Allocated pooled OPSRP UAL	29,389	28,275
Side account	0	0
Net unfunded pension actuarial accrued liability	198,542	292,073
Combined valuation payroll	415,648	401,163
Net pension UAL as a percentage of payroll	48%	73%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.48%)	(1.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,753	\$8,417
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$78,219	\$12,038	15.80%	\$156,831	\$24,779
Tier 2 General Service	10.57%	156,255	16,516	10.58%	109,813	11,618
Total General Service		234,474	28,554		266,644	36,397
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$234,474	\$28,554		\$266,644	\$36,397
Employer normal cost rate						
General Service			12.18%			13.65%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.18%			13.65%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$67,451)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.46%)
B. Actual employer payroll	227,996
C. Payment to transition liability/(surplus)	(3,329)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.40%)
B. Actual employer payroll	225,303
C. Payment to transition liability/(surplus)	(3,154)
4. Supplemental payment to transition liability	0
5. Interest	(4,725)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$65,693)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(65,693)	(67,451)
2. Combined valuation payroll	415,648	401,163
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.48%)	(1.49%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	415,648	401,163
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Jefferson/2211
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Jefferson/2211

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Jefferson/2211

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Jefferson -- #2211

September 2014

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Executive Summary

Milliman has prepared this report for City of Jefferson to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Jefferson.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Jefferson

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.79%	13.79%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(31.97%)	(31.97%)	(31.97%)	(31.97%)	(31.97%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Jefferson

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$272,503	\$374,793
Allocated pre-SLGRP pooled liability/(surplus)	(69,435)	(72,533)
Transition liability/(surplus)	(1,229,668)	(1,181,586)
Allocated pooled OPSRP UAL	25,412	25,801
Side account	0	0
Net unfunded pension actuarial accrued liability	(1,001,188)	(853,525)
Combined valuation payroll	359,404	366,056
Net pension UAL as a percentage of payroll	(279%)	(233%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(31.97%)	(28.64%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,975	\$7,680
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$185,487	\$28,546	15.80%	\$202,385	\$31,977
Tier 2 General Service	10.57%	91,748	9,698	10.58%	86,314	9,132
Total General Service		277,235	38,244		288,699	41,109
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$277,235	\$38,244		\$288,699	\$41,109
Employer normal cost rate						
General Service			13.79%			14.24%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.79%			14.24%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,181,586)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(11.43%)
B. Actual employer payroll	174,033
C. Payment to transition liability/(surplus)	(19,580)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(11.54%)
B. Actual employer payroll	183,245
C. Payment to transition liability/(surplus)	(20,783)
4. Supplemental payment to transition liability	0
5. Interest	(88,445)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,229,668)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,229,668)	(1,181,586)
2. Combined valuation payroll	359,404	366,056
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(31.97%)	(28.64%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	359,404	366,056
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of John Day/2229
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of John Day/2229

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of John Day/2229

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of John Day -- #2229

September 2014

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Executive Summary

Milliman has prepared this report for City of John Day to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of John Day.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of John Day

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.70%	12.95%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.44%)	(9.44%)	(9.44%)	(9.44%)	(9.44%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.37%	8.62%	11.30%	3.00%	7.11%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.90%	9.15%	11.83%	3.45%	7.56%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of John Day

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$580,034	\$875,941
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(773,114)	(784,194)
Allocated pooled OPSRP UAL	54,091	60,299
Side account	0	0
Net unfunded pension actuarial accrued liability	(138,989)	152,046
Combined valuation payroll	765,007	855,521
Net pension UAL as a percentage of payroll	(18%)	18%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.44%)	(8.13%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,589	\$17,949
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$135,921	\$20,918	15.80%	\$134,840	\$21,305
Tier 2 General Service	10.57%	138,917	14,684	10.58%	140,185	14,832
Total General Service		274,838	35,602		275,025	36,137
Tier 1 Police & Fire	17.62%	0	0	17.89%	66,988	11,984
Tier 2 Police & Fire	15.63%	106,084	16,581	15.70%	100,599	15,794
Total Police & Fire		106,084	16,581		167,587	27,778
Total		\$380,922	\$52,183		\$442,612	\$63,915
Employer normal cost rate						
General Service			12.95%			13.14%
Police & Fire			15.63%			16.58%
Aggregate (Default)			13.70%			14.44%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$784,194)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.35%)
B. Actual employer payroll	413,218
C. Payment to transition liability/(surplus)	(34,504)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.13%)
B. Actual employer payroll	395,857
C. Payment to transition liability/(surplus)	(32,183)
4. Supplemental payment to transition liability	0
5. Interest	(55,607)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$773,114)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(773,114)	(784,194)
2. Combined valuation payroll	765,007	855,521
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(9.44%)	(8.13%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	765,007	855,521
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Jordan Valley/2256
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Jordan Valley/2256

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Jordan Valley/2256

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Jordan Valley -- #2256

September 2014

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Executive Summary

Milliman has prepared this report for City of Jordan Valley to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Jordan Valley.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Jordan Valley

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(26.91%)	(26.91%)	(26.91%)	(26.91%)	(26.91%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Jordan Valley

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$50,194	\$60,344
Allocated pre-SLGRP pooled liability/(surplus)	(12,790)	(11,678)
Transition liability/(surplus)	(190,658)	(185,467)
Allocated pooled OPSRP UAL	4,681	4,154
Side account	0	0
Net unfunded pension actuarial accrued liability	(148,573)	(132,647)
Combined valuation payroll	66,201	58,937
Net pension UAL as a percentage of payroll	(224%)	(225%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(26.91%)	(27.92%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$916	\$1,237
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	51,759	5,471	10.58%	44,681	4,727
Total General Service		51,759	5,471		44,681	4,727
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$51,759	\$5,471		\$44,681	\$4,727
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$185,467)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(14.37%)
B. Actual employer payroll	31,110
C. Payment to transition liability/(surplus)	(4,212)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(14.77%)
B. Actual employer payroll	31,110
C. Payment to transition liability/(surplus)	(4,310)
4. Supplemental payment to transition liability	0
5. Interest	(13,713)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$190,658)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(190,658)	(185,467)
2. Combined valuation payroll	66,201	58,937
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(26.91%)	(27.92%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	66,201	58,937
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Junction City/2199
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Junction City/2199

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Junction City/2199

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Junction City -- #2199

September 2014

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Executive Summary

Milliman has prepared this report for City of Junction City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Junction City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Junction City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.26%	11.85%	16.04%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.66%)	(0.66%)	(0.66%)	(0.66%)	(0.66%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.90%	14.49%	18.68%	9.97%	14.08%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.43%	15.02%	19.21%	10.42%	14.53%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Junction City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,787,404	\$2,505,519
Allocated pre-SLGRP pooled liability/(surplus)	(455,439)	(484,886)
Transition liability/(surplus)	(165,579)	(169,015)
Allocated pooled OPSRP UAL	166,683	172,479
Side account	0	0
Net unfunded pension actuarial accrued liability	1,333,069	2,024,097
Combined valuation payroll	2,357,408	2,447,109
Net pension UAL as a percentage of payroll	57%	83%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.66%)	(0.61%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$32,629	\$51,341
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$236,172	\$36,347	15.80%	\$246,462	\$38,941
Tier 2 General Service	10.57%	655,798	69,318	10.58%	745,933	78,920
Total General Service		891,970	105,665		992,395	117,861
Tier 1 Police & Fire	17.62%	94,702	16,686	17.89%	100,316	17,947
Tier 2 Police & Fire	15.63%	360,434	56,336	15.70%	394,776	61,980
Total Police & Fire		455,136	73,022		495,092	79,927
Total		\$1,347,106	\$178,687		\$1,487,487	\$197,788
Employer normal cost rate						
General Service			11.85%			11.88%
Police & Fire			16.04%			16.14%
Aggregate (Default)			13.26%			13.30%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$169,015)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.70%)
B. Actual employer payroll	1,087,084
C. Payment to transition liability/(surplus)	(7,610)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.67%)
B. Actual employer payroll	1,154,471
C. Payment to transition liability/(surplus)	(7,735)
4. Supplemental payment to transition liability	0
5. Interest	(11,909)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$165,579)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(165,579)	(169,015)
2. Combined valuation payroll	2,357,408	2,447,109
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.66%)	(0.61%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,357,408	2,447,109
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of King City/2287
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of King City/2287

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of King City/2287

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of King City -- #2287

September 2014

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Executive Summary

Milliman has prepared this report for City of King City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of King City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of King City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.20%)	(5.20%)	(5.20%)	(5.20%)	(5.20%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.54%	12.93%	15.54%	7.24%	11.35%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.07%	13.46%	16.07%	7.69%	11.80%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of King City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$234,231	\$289,442
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(172,055)	(177,913)
Allocated pooled OPSRP UAL	21,843	19,925
Side account	0	0
Net unfunded pension actuarial accrued liability	84,019	131,454
Combined valuation payroll	308,927	282,694
Net pension UAL as a percentage of payroll	27%	47%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.20%)	(5.58%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,276	\$5,931
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	155,154	24,251	15.70%	141,506	22,216
Total Police & Fire		155,154	24,251		141,506	22,216
Total		\$155,154	\$24,251		\$141,506	\$22,216
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$177,913)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.45%)
B. Actual employer payroll	147,589
C. Payment to transition liability/(surplus)	(9,520)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.98%)
B. Actual employer payroll	145,713
C. Payment to transition liability/(surplus)	(8,713)
4. Supplemental payment to transition liability	0
5. Interest	(12,375)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$172,055)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(172,055)	(177,913)
2. Combined valuation payroll	308,927	282,694
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.20%)	(5.58%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	308,927	282,694
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Klamath Falls/2148
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Klamath Falls/2148

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Klamath Falls/2148

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Klamath Falls -- #2148

September 2014

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Executive Summary

Milliman has prepared this report for City of Klamath Falls to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Klamath Falls.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Klamath Falls

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.33%	13.42%	15.77%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(6.71%)	(6.71%)	(6.71%)	(6.71%)	(6.71%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.92%	10.01%	12.36%	3.92%	8.03%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.45%	10.54%	12.89%	4.37%	8.48%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Klamath Falls

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,855,007	\$8,720,904
Allocated pre-SLGRP pooled liability/(surplus)	(1,746,686)	(1,687,731)
Transition liability/(surplus)	(6,493,409)	(6,566,725)
Allocated pooled OPSRP UAL	639,259	600,344
Side account	0	0
Net unfunded pension actuarial accrued liability	(745,829)	1,066,792
Combined valuation payroll	9,041,070	8,517,598
Net pension UAL as a percentage of payroll	(8%)	13%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(6.71%)	(6.84%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$125,138	\$178,703
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$2,009,861	\$309,318	15.80%	\$2,004,819	\$316,761
Tier 2 General Service	10.57%	1,391,149	147,044	10.58%	1,463,046	154,790
Total General Service		3,401,010	456,362		3,467,865	471,551
Tier 1 Police & Fire	17.62%	152,590	26,886	17.89%	332,305	59,449
Tier 2 Police & Fire	15.63%	1,987,969	310,720	15.70%	1,919,661	301,387
Total Police & Fire		2,140,559	337,606		2,251,966	360,836
Total		\$5,541,569	\$793,968		\$5,719,831	\$832,387
Employer normal cost rate						
General Service			13.42%			13.60%
Police & Fire			15.77%			16.02%
Aggregate (Default)			14.33%			14.55%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$6,566,725)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.86%)
B. Actual employer payroll	4,293,029
C. Payment to transition liability/(surplus)	(251,571)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.43%)
B. Actual employer payroll	4,491,269
C. Payment to transition liability/(surplus)	(288,788)
4. Supplemental payment to transition liability	0
5. Interest	(467,043)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$6,493,409)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(6,493,409)	(6,566,725)
2. Combined valuation payroll	9,041,070	8,517,598
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.71%)	(6.84%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	9,041,070	8,517,598
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of La Grande/2263
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of La Grande/2263

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of La Grande/2263

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of La Grande -- #2263

September 2014

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Executive Summary

Milliman has prepared this report for City of La Grande to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of La Grande.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of La Grande

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.63%	13.02%	16.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(4.81%)	(4.81%)	(4.81%)	(4.81%)	(4.81%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.12%	11.51%	15.12%	5.82%	9.93%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.65%	12.04%	15.65%	6.27%	10.38%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of La Grande

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,666,920	\$2,178,416
Allocated pre-SLGRP pooled liability/(surplus)	(424,739)	(421,582)
Transition liability/(surplus)	(1,131,934)	(1,141,744)
Allocated pooled OPSRP UAL	155,447	149,961
Side account	0	0
Net unfunded pension actuarial accrued liability	265,694	765,051
Combined valuation payroll	2,198,501	2,127,632
Net pension UAL as a percentage of payroll	12%	36%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(4.81%)	(4.76%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$30,430	\$44,639
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	744,271	131,141	17.89%	817,578	146,265
Tier 2 Police & Fire	15.63%	734,655	114,827	15.70%	722,678	113,460
Total Police & Fire		1,478,926	245,968		1,540,256	259,725
Total		\$1,478,926	\$245,968		\$1,540,256	\$259,725
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.63%			16.86%
Aggregate (Default)			16.63%			16.86%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,141,744)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.09%)
B. Actual employer payroll	1,030,041
C. Payment to transition liability/(surplus)	(42,129)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.58%)
B. Actual employer payroll	1,071,972
C. Payment to transition liability/(surplus)	(49,096)
4. Supplemental payment to transition liability	0
5. Interest	(81,415)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,131,934)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,131,934)	(1,141,744)
2. Combined valuation payroll	2,198,501	2,127,632
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.81%)	(4.76%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,198,501	2,127,632
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Lafayette/2233
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Lafayette/2233

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lafayette/2233

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lafayette -- #2233

September 2014

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Executive Summary

Milliman has prepared this report for City of Lafayette to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lafayette.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lafayette

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.87%	12.87%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.46%)	(4.46%)	(4.46%)	(4.46%)	(4.46%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.52%	13.52%	17.16%	7.98%	12.09%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.05%	14.05%	17.69%	8.43%	12.54%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lafayette

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$359,084	\$456,121
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(226,265)	(238,734)
Allocated pooled OPSRP UAL	33,486	31,399
Side account	0	0
Net unfunded pension actuarial accrued liability	166,305	248,786
Combined valuation payroll	473,596	445,488
Net pension UAL as a percentage of payroll	35%	56%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.46%)	(4.75%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,555	\$9,347
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$143,088	\$22,021	15.80%	\$137,158	\$21,671
Tier 2 General Service	10.57%	157,233	16,620	10.58%	149,770	15,846
Total General Service		300,321	38,641		286,928	37,517
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$300,321	\$38,641		\$286,928	\$37,517
Employer normal cost rate						
General Service			12.87%			13.08%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.87%			13.08%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$238,734)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.65%)
B. Actual employer payroll	213,016
C. Payment to transition liability/(surplus)	(16,296)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.36%)
B. Actual employer payroll	232,221
C. Payment to transition liability/(surplus)	(12,447)
4. Supplemental payment to transition liability	0
5. Interest	(16,274)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$226,265)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(226,265)	(238,734)
2. Combined valuation payroll	473,596	445,488
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.46%)	(4.75%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	473,596	445,488
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Lake Oswego/2120
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Lake Oswego/2120

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lake Oswego/2120

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lake Oswego -- #2120

September 2014

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Executive Summary

Milliman has prepared this report for City of Lake Oswego to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lake Oswego.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lake Oswego

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.83%	13.39%	16.68%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.02%)	(1.02%)	(1.02%)	(1.02%)	(1.02%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.92%	17.48%	20.77%	11.42%	15.53%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.45%	18.01%	21.30%	11.87%	15.98%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lake Oswego

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$18,829,848	\$25,447,810
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,717,644)	(2,766,678)
Allocated pooled OPSRP UAL	1,755,964	1,751,818
Side account	0	0
Net unfunded pension actuarial accrued liability	17,868,168	24,432,950
Combined valuation payroll	24,834,690	24,854,557
Net pension UAL as a percentage of payroll	72%	98%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.02%)	(0.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$343,739	\$521,459
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$5,527,937	\$850,750	15.80%	\$5,949,345	\$939,997
Tier 2 General Service	10.57%	3,932,462	415,661	10.58%	3,935,560	416,382
Total General Service		9,460,399	1,266,411		9,884,905	1,356,379
Tier 1 Police & Fire	17.62%	3,909,961	688,935	17.89%	3,923,828	701,973
Tier 2 Police & Fire	15.63%	3,478,561	543,699	15.70%	3,313,089	520,155
Total Police & Fire		7,388,522	1,232,634		7,236,917	1,222,128
Total		\$16,848,921	\$2,499,045		\$17,121,822	\$2,578,507
Employer normal cost rate						
General Service			13.39%			13.72%
Police & Fire			16.68%			16.89%
Aggregate (Default)			14.83%			15.06%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,766,678)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.03%)
B. Actual employer payroll	12,272,798
C. Payment to transition liability/(surplus)	(126,410)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.99%)
B. Actual employer payroll	11,928,638
C. Payment to transition liability/(surplus)	(118,093)
4. Supplemental payment to transition liability	0
5. Interest	(195,469)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,717,644)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,717,644)	(2,766,678)
2. Combined valuation payroll	24,834,690	24,854,557
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.02%)	(0.99%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	24,834,690	24,854,557
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Lakeside/2244
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Lakeside/2244

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lakeside/2244

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lakeside -- #2244

September 2014

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Executive Summary

Milliman has prepared this report for City of Lakeside to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lakeside.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lakeside

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(7.37%)	(7.37%)	(7.37%)	(7.37%)	(7.37%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	6.50%	6.50%	12.44%	3.26%	7.37%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	7.03%	7.03%	12.97%	3.71%	7.82%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lakeside

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$282,134	\$255,291
Allocated pre-SLGRP pooled liability/(surplus)	(71,889)	(49,406)
Transition liability/(surplus)	(293,693)	(292,463)
Allocated pooled OPSRP UAL	26,310	17,574
Side account	0	0
Net unfunded pension actuarial accrued liability	(57,138)	(69,004)
Combined valuation payroll	372,106	249,340
Net pension UAL as a percentage of payroll	(15%)	(28%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(7.37%)	(10.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$5,150	\$5,231
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$22,497	\$3,555
Tier 2 General Service	10.57%	57,234	6,050	10.58%	58,882	6,230
Total General Service		57,234	6,050		81,379	9,785
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$57,234	\$6,050		\$81,379	\$9,785
Employer normal cost rate						
General Service			10.57%			12.02%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			12.02%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$292,463)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.22%)
B. Actual employer payroll	135,802
C. Payment to transition liability/(surplus)	(11,163)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.19%)
B. Actual employer payroll	168,242
C. Payment to transition liability/(surplus)	(8,731)
4. Supplemental payment to transition liability	0
5. Interest	(21,124)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$293,693)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(293,693)	(292,463)
2. Combined valuation payroll	372,106	249,340
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.37%)	(10.41%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	372,106	249,340
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Lebanon/2140
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Lebanon/2140

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lebanon/2140

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lebanon -- #2140

September 2014

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Executive Summary

Milliman has prepared this report for City of Lebanon to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lebanon.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lebanon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.56%	13.91%	16.03%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.63%)	(5.63%)	(5.63%)	(5.63%)	(5.63%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.04%	13.39%	15.51%	6.81%	10.92%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.57%	13.92%	16.04%	7.26%	11.37%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lebanon

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,062,510	\$5,387,003
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,230,397)	(3,278,176)
Allocated pooled OPSRP UAL	378,846	370,839
Side account	0	0
Net unfunded pension actuarial accrued liability	1,210,959	2,479,666
Combined valuation payroll	5,358,045	5,261,418
Net pension UAL as a percentage of payroll	23%	47%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.63%)	(5.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$74,161	\$110,387
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,426,496	\$219,538	15.80%	\$1,541,030	\$243,483
Tier 2 General Service	10.57%	630,781	66,674	10.58%	737,665	78,045
Total General Service		2,057,277	286,212		2,278,695	321,528
Tier 1 Police & Fire	17.62%	183,737	32,374	17.89%	270,723	48,432
Tier 2 Police & Fire	15.63%	733,801	114,693	15.70%	781,672	122,723
Total Police & Fire		917,538	147,067		1,052,395	171,155
Total		\$2,974,815	\$433,279		\$3,331,090	\$492,683
Employer normal cost rate						
General Service			13.91%			14.11%
Police & Fire			16.03%			16.26%
Aggregate (Default)			14.56%			14.79%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,278,176)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.59%)
B. Actual employer payroll	2,447,641
C. Payment to transition liability/(surplus)	(136,823)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.60%)
B. Actual employer payroll	2,559,009
C. Payment to transition liability/(surplus)	(143,305)
4. Supplemental payment to transition liability	0
5. Interest	(232,349)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,230,397)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,230,397)	(3,278,176)
2. Combined valuation payroll	5,358,045	5,261,418
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.63%)	(5.53%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,358,045	5,261,418
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Lincoln City/2298
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Lincoln City/2298

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lincoln City/2298

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lincoln City -- #2298

September 2014

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Executive Summary

Milliman has prepared this report for City of Lincoln City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lincoln City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lincoln City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.77%	12.66%	16.82%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.79%)	(5.79%)	(5.79%)	(5.79%)	(5.79%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.09%	11.98%	16.14%	6.65%	10.76%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.62%	12.51%	16.67%	7.10%	11.21%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lincoln City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$5,469,352	\$6,995,474
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(4,468,077)	(4,566,369)
Allocated pooled OPSRP UAL	510,040	481,566
Side account	0	0
Net unfunded pension actuarial accrued liability	1,511,315	2,910,671
Combined valuation payroll	7,213,529	6,832,392
Net pension UAL as a percentage of payroll	21%	43%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.79%)	(5.93%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$99,843	\$143,346
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,038,792	\$159,870	15.80%	\$1,242,025	\$196,240
Tier 2 General Service	10.57%	1,354,989	143,222	10.58%	1,282,090	135,645
Total General Service		2,393,781	303,092		2,524,115	331,885
Tier 1 Police & Fire	17.62%	523,105	92,171	17.89%	489,595	87,589
Tier 2 Police & Fire	15.63%	349,805	54,675	15.70%	415,994	65,311
Total Police & Fire		872,910	146,846		905,589	152,900
Total		\$3,266,691	\$449,938		\$3,429,704	\$484,785
Employer normal cost rate						
General Service			12.66%			13.15%
Police & Fire			16.82%			16.88%
Aggregate (Default)			13.77%			14.13%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$4,566,369)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.94%)
B. Actual employer payroll	3,423,616
C. Payment to transition liability/(surplus)	(203,363)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.90%)
B. Actual employer payroll	3,666,078
C. Payment to transition liability/(surplus)	(216,299)
4. Supplemental payment to transition liability	0
5. Interest	(321,370)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$4,468,077)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(4,468,077)	(4,566,369)
2. Combined valuation payroll	7,213,529	6,832,392
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.79%)	(5.93%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	7,213,529	6,832,392
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Lowell/2293
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Lowell/2293

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lowell/2293

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lowell -- #2293

September 2014

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Executive Summary

Milliman has prepared this report for City of Lowell to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lowell.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lowell

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.46%	12.46%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.51%)	(3.51%)	(3.51%)	(3.51%)	(3.51%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.06%	14.06%	18.11%	8.93%	13.04%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.59%	14.59%	18.64%	9.38%	13.49%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lowell

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$152,107	\$200,641
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(75,416)	(75,595)
Allocated pooled OPSRP UAL	14,185	13,812
Side account	0	0
Net unfunded pension actuarial accrued liability	90,876	138,858
Combined valuation payroll	200,614	195,964
Net pension UAL as a percentage of payroll	45%	71%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.51%)	(3.42%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,777	\$4,111
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$58,995	\$9,079	15.80%	\$57,619	\$9,104
Tier 2 General Service	10.57%	91,542	9,676	10.58%	89,441	9,463
Total General Service		150,537	18,755		147,060	18,567
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$150,537	\$18,755		\$147,060	\$18,567
Employer normal cost rate						
General Service			12.46%			12.63%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.46%			12.63%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$75,595)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.20%)
B. Actual employer payroll	96,720
C. Payment to transition liability/(surplus)	(3,095)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.64%)
B. Actual employer payroll	95,011
C. Payment to transition liability/(surplus)	(2,508)
4. Supplemental payment to transition liability	0
5. Interest	(5,424)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$75,416)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(75,416)	(75,595)
2. Combined valuation payroll	200,614	195,964
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.51%)	(3.42%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	200,614	195,964
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Lyons/2270
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Lyons/2270

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Lyons/2270

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Lyons -- #2270

September 2014

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Executive Summary

Milliman has prepared this report for City of Lyons to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Lyons.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Lyons

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.18%	12.18%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.76%)	(1.76%)	(1.76%)	(1.76%)	(1.76%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.53%	15.53%	19.86%	10.68%	14.79%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.06%	16.06%	20.39%	11.13%	15.24%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Lyons

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$70,899	\$99,376
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(17,600)	(20,002)
Allocated pooled OPSRP UAL	6,612	6,841
Side account	0	0
Net unfunded pension actuarial accrued liability	59,911	86,215
Combined valuation payroll	93,509	97,059
Net pension UAL as a percentage of payroll	64%	89%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.76%)	(1.83%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,294	\$2,036
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$25,891	\$3,985	15.80%	\$27,946	\$4,415
Tier 2 General Service	10.57%	51,858	5,481	10.58%	52,067	5,509
Total General Service		77,749	9,466		80,013	9,924
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$77,749	\$9,466		\$80,013	\$9,924
Employer normal cost rate						
General Service			12.18%			12.40%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.18%			12.40%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$20,002)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.41%)
B. Actual employer payroll	58,095
C. Payment to transition liability/(surplus)	(2,562)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.93%)
B. Actual employer payroll	57,259
C. Payment to transition liability/(surplus)	(1,106)
4. Supplemental payment to transition liability	0
5. Interest	(1,266)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$17,600)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(17,600)	(20,002)
2. Combined valuation payroll	93,509	97,059
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.76%)	(1.83%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	93,509	97,059
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Madras/2170
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Madras/2170

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Madras/2170

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Madras -- #2170

September 2014

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Executive Summary

Milliman has prepared this report for City of Madras to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Madras.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Madras

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.00%	13.54%	16.89%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.98%)	(2.98%)	(2.98%)	(2.98%)	(2.98%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.13%	15.67%	19.02%	9.46%	13.57%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.66%	16.20%	19.55%	9.91%	14.02%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Madras

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,411,873	\$1,859,819
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(594,832)	(602,535)
Allocated pooled OPSRP UAL	131,663	128,029
Side account	0	0
Net unfunded pension actuarial accrued liability	948,704	1,385,313
Combined valuation payroll	1,862,119	1,816,462
Net pension UAL as a percentage of payroll	51%	76%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.98%)	(2.94%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$25,774	\$38,110
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$304,397	\$46,847	15.80%	\$300,283	\$47,445
Tier 2 General Service	10.57%	189,508	20,031	10.58%	188,267	19,919
Total General Service		493,905	66,878		488,550	67,364
Tier 1 Police & Fire	17.62%	242,655	42,756	17.89%	237,761	42,535
Tier 2 Police & Fire	15.63%	139,196	21,756	15.70%	133,015	20,883
Total Police & Fire		381,851	64,512		370,776	63,418
Total		\$875,756	\$131,390		\$859,326	\$130,782
Employer normal cost rate						
General Service			13.54%			13.79%
Police & Fire			16.89%			17.10%
Aggregate (Default)			15.00%			15.22%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$602,535)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.59%)
B. Actual employer payroll	903,853
C. Payment to transition liability/(surplus)	(23,410)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.21%)
B. Actual employer payroll	843,519
C. Payment to transition liability/(surplus)	(27,077)
4. Supplemental payment to transition liability	0
5. Interest	(42,784)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$594,832)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(594,832)	(602,535)
2. Combined valuation payroll	1,862,119	1,816,462
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.98%)	(2.94%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,862,119	1,816,462
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

City of Malin/2247
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Malin/2247

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Malin/2247

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Malin -- #2247

September 2014

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Executive Summary

Milliman has prepared this report for City of Malin to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Malin.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Malin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.18%	13.02%	17.61%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(3.40%)	(3.40%)	(3.40%)	(3.40%)	(3.40%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.08%	12.92%	17.51%	7.23%	11.34%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.61%	13.45%	18.04%	7.68%	11.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Malin

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$78,398	\$140,543
Allocated pre-SLGRP pooled liability/(surplus)	(19,976)	(27,199)
Transition liability/(surplus)	(37,644)	(38,379)
Allocated pooled OPSRP UAL	7,311	9,675
Side account	0	0
Net unfunded pension actuarial accrued liability	28,089	84,640
Combined valuation payroll	103,399	137,267
Net pension UAL as a percentage of payroll	27%	62%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(3.40%)	(2.48%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,431	\$2,880
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$48,720	\$7,498	15.80%	\$45,728	\$7,225
Tier 2 General Service	10.57%	46,995	4,967	10.58%	44,001	4,655
Total General Service		95,715	12,465		89,729	11,880
Tier 1 Police & Fire	17.62%	3,419	602	17.89%	44,227	7,912
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		3,419	602		44,227	7,912
Total		\$99,134	\$13,067		\$133,956	\$19,792
Employer normal cost rate						
General Service			13.02%			13.24%
Police & Fire			17.61%			17.89%
Aggregate (Default)			13.18%			14.78%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$38,379)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.32%)
B. Actual employer payroll	47,143
C. Payment to transition liability/(surplus)	(1,565)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.60%)
B. Actual employer payroll	52,175
C. Payment to transition liability/(surplus)	(1,878)
4. Supplemental payment to transition liability	0
5. Interest	(2,708)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$37,644)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(37,644)	(38,379)
2. Combined valuation payroll	103,399	137,267
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.40%)	(2.48%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	103,399	137,267
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Manzanita/2281
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Manzanita/2281

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Manzanita/2281

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Manzanita -- #2281

September 2014

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Executive Summary

Milliman has prepared this report for City of Manzanita to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Manzanita.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Manzanita

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.51%	15.39%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.03%)	(1.03%)	(1.03%)	(1.03%)	(1.03%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.78%	17.66%	17.90%	9.60%	13.71%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.31%	18.19%	18.43%	10.05%	14.16%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Manzanita

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$448,703	\$576,396
Allocated pre-SLGRP pooled liability/(surplus)	(114,332)	(111,548)
Transition liability/(surplus)	(65,418)	(67,203)
Allocated pooled OPSRP UAL	41,844	39,679
Side account	0	0
Net unfunded pension actuarial accrued liability	310,797	437,324
Combined valuation payroll	591,795	562,959
Net pension UAL as a percentage of payroll	53%	78%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.03%)	(1.06%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,191	\$11,811
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$147,366	\$22,680	15.80%	\$144,737	\$22,868
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		147,366	22,680		144,737	22,868
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	140,413	21,947	15.70%	135,557	21,282
Total Police & Fire		140,413	21,947		135,557	21,282
Total		\$287,779	\$44,627		\$280,294	\$44,150
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.51%			15.75%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$67,203)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.26%)
B. Actual employer payroll	275,743
C. Payment to transition liability/(surplus)	(3,474)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.05%)
B. Actual employer payroll	287,200
C. Payment to transition liability/(surplus)	(3,016)
4. Supplemental payment to transition liability	0
5. Interest	(4,705)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$65,418)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(65,418)	(67,203)
2. Combined valuation payroll	591,795	562,959
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.03%)	(1.06%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	591,795	562,959
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of McMinnville/2117
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of McMinnville/2117

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of McMinnville/2117

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of McMinnville -- #2117

September 2014

Secondary Employers

2135 McMinnville Water & Light Department

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Executive Summary

Milliman has prepared this report for City of McMinnville to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of McMinnville.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of McMinnville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.47%	13.19%	16.55%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	2.94%	2.94%	2.94%	2.94%	2.94%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.71%	19.43%	22.79%	13.57%	17.68%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	21.24%	19.96%	23.32%	14.02%	18.13%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of McMinnville

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$12,585,577	\$16,435,290
Allocated pre-SLGRP pooled liability/(surplus)	(3,206,861)	(3,180,673)
Transition liability/(surplus)	5,227,428	5,320,894
Allocated pooled OPSRP UAL	1,173,659	1,131,399
Side account	0	0
Net unfunded pension actuarial accrued liability	15,779,803	19,706,910
Combined valuation payroll	16,599,120	16,052,142
Net pension UAL as a percentage of payroll	95%	123%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	2.94%	2.94%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$229,750	\$336,781
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$3,132,860	\$482,147	15.80%	\$3,284,186	\$518,901
Tier 2 General Service	10.57%	2,622,797	277,230	10.58%	2,574,564	272,389
Total General Service		5,755,657	759,377		5,858,750	791,290
Tier 1 Police & Fire	17.62%	1,632,082	287,573	17.89%	1,639,804	293,361
Tier 2 Police & Fire	15.63%	1,893,235	295,913	15.70%	1,834,538	288,022
Total Police & Fire		3,525,317	583,486		3,474,342	581,383
Total		\$9,280,974	\$1,342,863		\$9,333,092	\$1,372,673
Employer normal cost rate						
General Service			13.19%			13.51%
Police & Fire			16.55%			16.73%
Aggregate (Default)			14.47%			14.71%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$5,320,894
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.95%
B. Actual employer payroll	7,871,063
C. Payment to transition liability/(surplus)	232,196
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	2.92%
B. Actual employer payroll	8,125,252
C. Payment to transition liability/(surplus)	237,257
4. Supplemental payment to transition liability	0
5. Interest	375,987
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$5,227,428

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	5,227,428	5,320,894
2. Combined valuation payroll	16,599,120	16,052,142
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	2.94%	2.94%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	16,599,120	16,052,142
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Medford/2102
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of Medford/2102

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Medford/2102

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Medford -- #2102

September 2014

Secondary Employers

2134 Medford Water Commission

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Executive Summary

Milliman has prepared this report for City of Medford to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Medford.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Medford

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.82%	12.94%	16.66%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(6.97%)	(6.97%)	(6.97%)	(6.97%)	(6.97%)
Net pension contribution rate	12.96%	11.08%	14.80%	5.47%	9.58%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.49%	11.61%	15.33%	5.92%	10.03%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Medford

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$26,586,554	\$35,180,528
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	2,479,310	2,421,814
Side account	26,162,599	24,876,607
Net unfunded pension actuarial accrued liability	2,903,265	12,725,735
Combined valuation payroll	35,065,010	34,360,381
Net pension UAL as a percentage of payroll	8%	37%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(6.97%)	(6.42%)
Allocated pooled RHIA UAL	\$485,337	\$720,895
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$5,473,621	\$842,390	15.80%	\$5,847,004	\$923,827
Tier 2 General Service	10.57%	5,644,258	596,598	10.58%	5,640,548	596,770
Total General Service		11,117,879	1,438,988		11,487,552	1,520,597
Tier 1 Police & Fire	17.62%	5,874,243	1,035,042	17.89%	6,175,896	1,104,868
Tier 2 Police & Fire	15.63%	5,497,847	859,313	15.70%	5,587,885	877,298
Total Police & Fire		11,372,090	1,894,355		11,763,781	1,982,166
Total		\$22,489,969	\$3,333,343		\$23,251,333	\$3,502,763
Employer normal cost rate						
General Service			12.94%			13.24%
Police & Fire			16.66%			16.85%
Aggregate (Default)			14.82%			15.06%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	35,065,010	34,360,381
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$24,876,607	\$24,876,607
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,465,072)	(2,465,072)
5. Side account earnings during 2013		3,752,063	3,752,063
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$26,162,599	\$26,162,599

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$26,162,599	\$24,876,607
Side Account 2	0	0
Side Account 3	0	0
Total	\$26,162,599	\$24,876,607

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$26,162,599	\$24,876,607
2. Combined valuation payroll	35,065,010	34,360,381
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(6.97%)	(6.42%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Mill City/2207
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Mill City/2207

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Mill City/2207

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Mill City -- #2207

September 2014

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Executive Summary

Milliman has prepared this report for City of Mill City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Mill City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Mill City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.19%	13.19%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.17%	0.17%	0.17%	0.17%	0.17%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.66%	16.66%	19.98%	10.80%	14.91%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.19%	17.19%	20.51%	11.25%	15.36%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Mill City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$179,819	\$245,736
Allocated pre-SLGRP pooled liability/(surplus)	(45,819)	(47,557)
Transition liability/(surplus)	4,205	4,255
Allocated pooled OPSRP UAL	16,769	16,916
Side account	0	0
Net unfunded pension actuarial accrued liability	154,974	219,350
Combined valuation payroll	237,163	240,007
Net pension UAL as a percentage of payroll	65%	91%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.17%	0.16%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,283	\$5,035
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$65,822	\$10,130	15.80%	\$66,338	\$10,481
Tier 2 General Service	10.57%	55,336	5,849	10.58%	54,877	5,806
Total General Service		121,158	15,979		121,215	16,287
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$121,158	\$15,979		\$121,215	\$16,287
Employer normal cost rate						
General Service			13.19%			13.44%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.19%			13.44%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$4,255
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.14%
B. Actual employer payroll	110,504
C. Payment to transition liability/(surplus)	155
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.17%
B. Actual employer payroll	116,088
C. Payment to transition liability/(surplus)	197
4. Supplemental payment to transition liability	0
5. Interest	302
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$4,205

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	4,205	4,255
2. Combined valuation payroll	237,163	240,007
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.17%	0.16%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	237,163	240,007
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Millersburg/2286
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Millersburg/2286

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Millersburg/2286

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Millersburg -- #2286

September 2014

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Executive Summary

Milliman has prepared this report for City of Millersburg to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Millersburg.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Millersburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.24%	13.24%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.53%)	(1.53%)	(1.53%)	(1.53%)	(1.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.82%	16.82%	20.09%	10.91%	15.02%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.35%	17.35%	20.62%	11.36%	15.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Millersburg

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$163,796	\$189,360
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(35,273)	(36,896)
Allocated pooled OPSRP UAL	15,275	13,036
Side account	0	0
Net unfunded pension actuarial accrued liability	143,798	165,500
Combined valuation payroll	216,031	184,946
Net pension UAL as a percentage of payroll	67%	89%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.53%)	(1.77%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,990	\$3,880
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$69,111	\$10,636	15.80%	\$59,078	\$9,334
Tier 2 General Service	10.57%	55,803	5,898	10.58%	51,644	5,464
Total General Service		124,914	16,534		110,722	14,798
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$124,914	\$16,534		\$110,722	\$14,798
Employer normal cost rate						
General Service			13.24%			13.37%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.24%			13.37%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$36,896)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.28%)
B. Actual employer payroll	96,833
C. Payment to transition liability/(surplus)	(2,208)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.78%)
B. Actual employer payroll	109,699
C. Payment to transition liability/(surplus)	(1,952)
4. Supplemental payment to transition liability	0
5. Interest	(2,537)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$35,273)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(35,273)	(36,896)
2. Combined valuation payroll	216,031	184,946
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.53%)	(1.77%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	216,031	184,946
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Milton-Freewater/2158
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Milton-Freewater/2158

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Milton-Freewater/2158

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Milton-Freewater -- #2158

September 2014

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Executive Summary

Milliman has prepared this report for City of Milton-Freewater to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Milton-Freewater.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Milton-Freewater

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.00%	13.63%	16.34%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	1.60%	1.60%	1.60%	1.60%	1.60%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.90%	18.53%	21.24%	12.23%	16.34%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.43%	19.06%	21.77%	12.68%	16.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Milton-Freewater

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,906,190	\$4,093,468
Allocated pre-SLGRP pooled liability/(surplus)	(740,510)	(792,197)
Transition liability/(surplus)	656,339	671,099
Allocated pooled OPSRP UAL	271,015	281,793
Side account	0	0
Net unfunded pension actuarial accrued liability	3,093,034	4,254,163
Combined valuation payroll	3,832,975	3,998,039
Net pension UAL as a percentage of payroll	81%	106%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	1.60%	1.49%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$53,052	\$83,881
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,286,269	\$197,957	15.80%	\$1,425,086	\$225,164
Tier 2 General Service	10.57%	737,122	77,914	10.58%	754,259	79,801
Total General Service		2,023,391	275,871		2,179,345	304,965
Tier 1 Police & Fire	17.62%	111,720	19,685	17.89%	103,485	18,513
Tier 2 Police & Fire	15.63%	200,769	31,380	15.70%	187,621	29,456
Total Police & Fire		312,489	51,065		291,106	47,969
Total		\$2,335,880	\$326,936		\$2,470,451	\$352,934
Employer normal cost rate						
General Service			13.63%			13.99%
Police & Fire			16.34%			16.48%
Aggregate (Default)			14.00%			14.29%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$671,099
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	1.60%
B. Actual employer payroll	1,981,741
C. Payment to transition liability/(surplus)	31,708
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	1.53%
B. Actual employer payroll	1,977,785
C. Payment to transition liability/(surplus)	30,260
4. Supplemental payment to transition liability	0
5. Interest	47,208
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$656,339

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	656,339	671,099
2. Combined valuation payroll	3,832,975	3,998,039
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.60%	1.49%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,832,975	3,998,039
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Milwaukie/2163
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Milwaukee/2163

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Milwaukie/2163

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Milwaukie -- #2163

September 2014

Secondary Employers

2560 Wichita Water District

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Executive Summary

Milliman has prepared this report for City of Milwaukie to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Milwaukie.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Milwaukie

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.69%	12.70%	16.74%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.87%)	(0.87%)	(0.87%)	(0.87%)	(0.87%)
Side account rate relief ²	(3.96%)	(3.96%)	(3.96%)	(3.96%)	(3.96%)
Net pension contribution rate	13.16%	11.17%	15.21%	5.80%	9.91%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.69%	11.70%	15.74%	6.25%	10.36%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Milwaukie

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,182,851	\$8,861,265
Allocated pre-SLGRP pooled liability/(surplus)	(1,575,418)	(1,714,894)
Transition liability/(surplus)	(761,517)	(771,978)
Allocated pooled OPSRP UAL	576,577	610,006
Side account	3,452,242	3,227,269
Net unfunded pension actuarial accrued liability	970,251	3,757,130
Combined valuation payroll	8,154,563	8,654,686
Net pension UAL as a percentage of payroll	12%	43%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.87%)	(0.79%)
Side account rate relief	(3.96%)	(3.31%)
Allocated pooled RHIA UAL	\$112,868	\$181,579
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$957,381	\$147,341	15.80%	\$1,167,768	\$184,507
Tier 2 General Service	10.57%	1,207,753	127,659	10.58%	1,444,409	152,818
Total General Service		2,165,134	275,000		2,612,177	337,325
Tier 1 Police & Fire	17.62%	1,173,550	206,780	17.89%	1,273,404	227,812
Tier 2 Police & Fire	15.63%	930,821	145,487	15.70%	923,686	145,019
Total Police & Fire		2,104,371	352,267		2,197,090	372,831
Total		\$4,269,505	\$627,267		\$4,809,267	\$710,156
Employer normal cost rate						
General Service			12.70%			12.91%
Police & Fire			16.74%			16.97%
Aggregate (Default)			14.69%			14.77%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$771,978)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.76%)
B. Actual employer payroll	4,110,932
C. Payment to transition liability/(surplus)	(31,243)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.79%)
B. Actual employer payroll	4,302,638
C. Payment to transition liability/(surplus)	(33,991)
4. Supplemental payment to transition liability	0
5. Interest	(54,773)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$761,517)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(761,517)	(771,978)
2. Combined valuation payroll	8,154,563	8,654,686
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.87%)	(0.79%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,227,269	\$3,227,269
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(268,013)	(268,013)
5. Side account earnings during 2013		493,987	493,987
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$3,452,242	\$3,452,242

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$3,452,242	\$3,227,269
Side Account 2	0	0
Side Account 3	0	0
Total	\$3,452,242	\$3,227,269

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$3,452,242	\$3,227,269
2. Combined valuation payroll	8,154,563	8,654,686
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(3.96%)	(3.31%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Monmouth/2157
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Monmouth/2157

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Monmouth/2157

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Monmouth -- #2157

September 2014

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Executive Summary

Milliman has prepared this report for City of Monmouth to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Monmouth.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Monmouth

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.16%	13.39%	17.17%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(4.99%)	(4.99%)	(4.99%)	(4.99%)	(4.99%)
Net pension contribution rate	14.28%	13.51%	17.29%	7.45%	11.56%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.81%	14.04%	17.82%	7.90%	12.01%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Monmouth

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,397,216	\$3,040,519
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	223,551	209,308
Side account	1,687,626	1,582,089
Net unfunded pension actuarial accrued liability	933,141	1,667,738
Combined valuation payroll	3,161,689	2,969,637
Net pension UAL as a percentage of payroll	30%	56%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(4.99%)	(4.73%)
Allocated pooled RHIA UAL	\$43,761	\$62,304
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$729,586	\$112,283	15.80%	\$650,187	\$102,730
Tier 2 General Service	10.57%	518,392	54,794	10.58%	512,894	54,264
Total General Service		1,247,978	167,077		1,163,081	156,994
Tier 1 Police & Fire	17.62%	249,276	43,922	17.89%	237,160	42,428
Tier 2 Police & Fire	15.63%	73,869	11,546	15.70%	66,340	10,415
Total Police & Fire		323,145	55,468		303,500	52,843
Total		\$1,571,123	\$222,545		\$1,466,581	\$209,837
Employer normal cost rate						
General Service			13.39%			13.50%
Police & Fire			17.17%			17.41%
Aggregate (Default)			14.16%			14.31%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	3,161,689	2,969,637
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$1,582,089	\$1,582,089
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(135,595)	(135,595)
5. Side account earnings during 2013		242,133	242,133
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$1,687,626	\$1,687,626

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$1,687,626	\$1,582,089
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,687,626	\$1,582,089

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$1,687,626	\$1,582,089
2. Combined valuation payroll	3,161,689	2,969,637
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(4.99%)	(4.73%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Monroe/2209
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Monroe/2209

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Monroe/2209

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Monroe -- #2209

September 2014

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Executive Summary

Milliman has prepared this report for City of Monroe to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Monroe.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Monroe

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(39.81%)	(39.81%)	(39.81%)	(39.81%)	(39.81%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Monroe

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$27,829	\$64,293
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(156,389)	(154,208)
Allocated pooled OPSRP UAL	2,595	4,426
Side account	0	0
Net unfunded pension actuarial accrued liability	(125,965)	(85,489)
Combined valuation payroll	36,704	62,794
Net pension UAL as a percentage of payroll	(343%)	(136%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(39.81%)	(21.79%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$508	\$1,317
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	26,389	2,792
Total General Service		0	0		26,389	2,792
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$26,389	\$2,792
Employer normal cost rate						
General Service			13.02%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$154,208)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(15.07%)
B. Actual employer payroll	48,841
C. Payment to transition liability/(surplus)	(6,883)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(15.26%)
B. Actual employer payroll	17,638
C. Payment to transition liability/(surplus)	(2,184)
4. Supplemental payment to transition liability	0
5. Interest	(11,248)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$156,389)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(156,389)	(154,208)
2. Combined valuation payroll	36,704	62,794
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(39.81%)	(21.79%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	36,704	62,794
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Moro/2301
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Moro/2301

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Moro/2301

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Moro -- #2301

September 2014

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Executive Summary

Milliman has prepared this report for City of Moro to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Moro.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Moro

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(9.33%)	(9.33%)	(9.33%)	(9.33%)	(9.33%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.17%	11.17%	12.29%	3.11%	7.22%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.70%	11.70%	12.82%	3.56%	7.67%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Moro

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$69,418	\$88,646
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(91,453)	(93,410)
Allocated pooled OPSRP UAL	6,474	6,102
Side account	0	0
Net unfunded pension actuarial accrued liability	(15,561)	1,338
Combined valuation payroll	91,556	86,579
Net pension UAL as a percentage of payroll	(17%)	2%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(9.33%)	(9.57%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,267	\$1,816
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$38,968	\$5,997	15.80%	\$35,199	\$5,561
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		38,968	5,997		35,199	5,561
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$38,968	\$5,997		\$35,199	\$5,561
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$93,410)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.17%)
B. Actual employer payroll	44,131
C. Payment to transition liability/(surplus)	(4,488)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(9.32%)
B. Actual employer payroll	43,424
C. Payment to transition liability/(surplus)	(4,047)
4. Supplemental payment to transition liability	0
5. Interest	(6,578)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$91,453)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(91,453)	(93,410)
2. Combined valuation payroll	91,556	86,579
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(9.33%)	(9.57%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	91,556	86,579
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Mt. Vernon/2302
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Mt. Vernon/2302

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Mt. Vernon/2302

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Mt Vernon -- #2302

September 2014

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Executive Summary

Milliman has prepared this report for City of Mt. Vernon to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Mt. Vernon.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Mt. Vernon

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.10%	15.10%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.53%)	(7.53%)	(7.53%)	(7.53%)	(7.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.68%	12.68%	14.09%	4.91%	9.02%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.21%	13.21%	14.62%	5.36%	9.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Mt. Vernon

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$97,680	\$123,210
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(103,839)	(103,378)
Allocated pooled OPSRP UAL	9,109	8,482
Side account	0	0
Net unfunded pension actuarial accrued liability	2,950	28,314
Combined valuation payroll	128,830	120,338
Net pension UAL as a percentage of payroll	2%	24%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.53%)	(7.62%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,783	\$2,525
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$58,529	\$9,008	15.80%	\$61,036	\$9,644
Tier 2 General Service	10.57%	3,689	390	10.58%	28,617	3,028
Total General Service		62,218	9,398		89,653	12,672
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$62,218	\$9,398		\$89,653	\$12,672
Employer normal cost rate						
General Service			15.10%			14.13%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.10%			14.13%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$103,378)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.05%)
B. Actual employer payroll	40,504
C. Payment to transition liability/(surplus)	(2,856)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.69%)
B. Actual employer payroll	53,989
C. Payment to transition liability/(surplus)	(4,152)
4. Supplemental payment to transition liability	0
5. Interest	(7,469)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$103,839)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(103,839)	(103,378)
2. Combined valuation payroll	128,830	120,338
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.53%)	(7.62%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	128,830	120,338
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Myrtle Creek/2197
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Myrtle Creek/2197

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Myrtle Creek/2197

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Myrtle Creek -- #2197

September 2014

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Executive Summary

Milliman has prepared this report for City of Myrtle Creek to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Myrtle Creek.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Myrtle Creek

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.19%	13.03%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(4.00%)	(4.00%)	(4.00%)	(4.00%)	(4.00%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.49%	12.33%	16.92%	6.63%	10.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.02%	12.86%	17.45%	7.08%	11.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Myrtle Creek

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$731,299	\$938,905
Allocated pre-SLGRP pooled liability/(surplus)	(186,338)	(181,704)
Transition liability/(surplus)	(412,477)	(415,930)
Allocated pooled OPSRP UAL	68,197	64,634
Side account	0	0
Net unfunded pension actuarial accrued liability	200,681	405,905
Combined valuation payroll	964,510	917,017
Net pension UAL as a percentage of payroll	21%	44%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(4.00%)	(4.02%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$13,350	\$19,239
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$182,190	\$28,039	15.80%	\$233,889	\$36,954
Tier 2 General Service	10.57%	175,258	18,525	10.58%	162,614	17,205
Total General Service		357,448	46,564		396,503	54,159
Tier 1 Police & Fire	17.62%	121,424	21,395	17.89%	122,559	21,926
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		121,424	21,395		122,559	21,926
Total		\$478,872	\$67,959		\$519,062	\$76,085
Employer normal cost rate						
General Service			13.03%			13.66%
Police & Fire			17.62%			17.89%
Aggregate (Default)			14.19%			14.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$415,930)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.51%)
B. Actual employer payroll	455,863
C. Payment to transition liability/(surplus)	(16,001)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.64%)
B. Actual employer payroll	470,346
C. Payment to transition liability/(surplus)	(17,120)
4. Supplemental payment to transition liability	0
5. Interest	(29,668)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$412,477)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(412,477)	(415,930)
2. Combined valuation payroll	964,510	917,017
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.00%)	(4.02%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	964,510	917,017
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Myrtle Point/2183
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Myrtle Point/2183

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Myrtle Point/2183

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Myrtle Point -- #2183

September 2014

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Executive Summary

Milliman has prepared this report for City of Myrtle Point to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Myrtle Point.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Myrtle Point

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.46%	13.53%	16.25%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(6.98%)	(6.98%)	(6.98%)	(6.98%)	(6.98%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.78%	9.85%	12.57%	3.65%	7.76%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.31%	10.38%	13.10%	4.10%	8.21%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Myrtle Point

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$909,069	\$1,055,492
Allocated pre-SLGRP pooled liability/(surplus)	(231,635)	(204,266)
Transition liability/(surplus)	(895,958)	(916,338)
Allocated pooled OPSRP UAL	84,775	72,660
Side account	0	0
Net unfunded pension actuarial accrued liability	(133,749)	7,548
Combined valuation payroll	1,198,971	1,030,886
Net pension UAL as a percentage of payroll	(11%)	1%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(6.98%)	(7.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$16,595	\$21,628
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$238,127	\$36,648	15.80%	\$233,252	\$36,854
Tier 2 General Service	10.57%	150,166	15,873	10.58%	136,123	14,402
Total General Service		388,293	52,521		369,375	51,256
Tier 1 Police & Fire	17.62%	62,478	11,009	17.89%	60,123	10,756
Tier 2 Police & Fire	15.63%	139,565	21,814	15.70%	135,930	21,341
Total Police & Fire		202,043	32,823		196,053	32,097
Total		\$590,336	\$85,344		\$565,428	\$83,353
Employer normal cost rate						
General Service			13.53%			13.88%
Police & Fire			16.25%			16.37%
Aggregate (Default)			14.46%			14.74%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$916,338)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.82%)
B. Actual employer payroll	531,727
C. Payment to transition liability/(surplus)	(41,581)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.63%)
B. Actual employer payroll	566,727
C. Payment to transition liability/(surplus)	(43,241)
4. Supplemental payment to transition liability	0
5. Interest	(64,442)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$895,958)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(895,958)	(916,338)
2. Combined valuation payroll	1,198,971	1,030,886
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.98%)	(7.89%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,198,971	1,030,886
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Newberg/2777
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Newberg/2777

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Newberg/2777

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Newberg -- #2777

September 2014

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Executive Summary

Milliman has prepared this report for City of Newberg to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Newberg.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Newberg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.23%	12.10%	16.40%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.58%)	(0.58%)	(0.58%)	(0.58%)	(0.58%)
Side account rate relief ²	(3.39%)	(3.39%)	(3.39%)	(3.39%)	(3.39%)
Net pension contribution rate	14.56%	11.43%	15.73%	6.66%	10.77%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.09%	11.96%	16.26%	7.11%	11.22%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Newberg

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,925,734	\$6,284,337
Allocated pre-SLGRP pooled liability/(surplus)	(1,255,099)	(1,216,189)
Transition liability/(surplus)	(405,519)	(413,746)
Allocated pooled OPSRP UAL	459,346	432,611
Side account	2,354,470	2,208,786
Net unfunded pension actuarial accrued liability	1,369,992	2,878,227
Combined valuation payroll	6,496,551	6,137,833
Net pension UAL as a percentage of payroll	21%	47%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.58%)	(0.60%)
Side account rate relief	(3.39%)	(3.19%)
Allocated pooled RHIA UAL	\$89,919	\$128,774
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$323,922	\$49,852	15.80%	\$308,047	\$48,671
Tier 2 General Service	10.57%	696,710	73,642	10.58%	735,659	77,833
Total General Service		1,020,632	123,494		1,043,706	126,504
Tier 1 Police & Fire	17.62%	1,064,305	187,531	17.89%	1,029,730	184,219
Tier 2 Police & Fire	15.63%	1,674,066	261,657	15.70%	1,630,167	255,936
Total Police & Fire		2,738,371	449,188		2,659,897	440,155
Total		\$3,759,003	\$572,682		\$3,703,603	\$566,659
Employer normal cost rate						
General Service			12.10%			12.12%
Police & Fire			16.40%			16.55%
Aggregate (Default)			15.23%			15.30%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$413,746)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.60%)
B. Actual employer payroll	2,965,285
C. Payment to transition liability/(surplus)	(17,792)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.60%)
B. Actual employer payroll	3,267,139
C. Payment to transition liability/(surplus)	(19,602)
4. Supplemental payment to transition liability	0
5. Interest	(29,167)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$405,519)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(405,519)	(413,746)
2. Combined valuation payroll	6,496,551	6,137,833
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.58%)	(0.60%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$2,208,786	\$2,208,786
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(190,691)	(190,691)
5. Side account earnings during 2013		337,375	337,375
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$2,354,470	\$2,354,470

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$2,354,470	\$2,208,786
Side Account 2	0	0
Side Account 3	0	0
Total	\$2,354,470	\$2,208,786

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$2,354,470	\$2,208,786
2. Combined valuation payroll	6,496,551	6,137,833
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(3.39%)	(3.19%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Newport/2276
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Newport/2276

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Newport/2276

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Newport -- #2276

September 2014

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Executive Summary

Milliman has prepared this report for City of Newport to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Newport.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Newport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.83%	13.02%	16.83%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(6.09%)	(6.09%)	(6.09%)	(6.09%)	(6.09%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.04%	10.23%	14.04%	4.54%	8.65%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.57%	10.76%	14.57%	4.99%	9.10%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Newport

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,673,974	\$2,110,615
Allocated pre-SLGRP pooled liability/(surplus)	(426,536)	(408,461)
Transition liability/(surplus)	(1,437,917)	(1,483,610)
Allocated pooled OPSRP UAL	156,105	145,294
Side account	0	0
Net unfunded pension actuarial accrued liability	(34,374)	363,838
Combined valuation payroll	2,207,805	2,061,411
Net pension UAL as a percentage of payroll	(2%)	18%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(6.09%)	(6.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$30,558	\$43,249
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	730,607	128,733	17.89%	695,487	124,423
Tier 2 Police & Fire	15.63%	479,779	74,989	15.70%	524,188	82,298
Total Police & Fire		1,210,386	203,722		1,219,675	206,721
Total		\$1,210,386	\$203,722		\$1,219,675	\$206,721
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.83%			16.95%
Aggregate (Default)			16.83%			16.95%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,483,610)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.63%)
B. Actual employer payroll	1,029,420
C. Payment to transition liability/(surplus)	(68,251)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.44%)
B. Actual employer payroll	1,086,889
C. Payment to transition liability/(surplus)	(80,865)
4. Supplemental payment to transition liability	0
5. Interest	(103,423)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,437,917)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,437,917)	(1,483,610)
2. Combined valuation payroll	2,207,805	2,061,411
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.09%)	(6.38%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,207,805	2,061,411
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of North Bend/2292
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of North Bend/2292

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of North Bend/2292

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Bend -- #2292

September 2014

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Executive Summary

Milliman has prepared this report for City of North Bend to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Bend.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of North Bend

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.46%	12.95%	16.25%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(2.72%)	(2.72%)	(2.72%)	(2.72%)	(2.72%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.04%	13.53%	16.83%	7.91%	12.02%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.57%	14.06%	17.36%	8.36%	12.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Bend

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,666,915	\$3,749,172
Allocated pre-SLGRP pooled liability/(surplus)	(679,542)	(725,566)
Transition liability/(surplus)	(1,022,454)	(1,037,682)
Allocated pooled OPSRP UAL	248,701	258,092
Side account	0	0
Net unfunded pension actuarial accrued liability	1,213,620	2,244,016
Combined valuation payroll	3,517,394	3,661,769
Net pension UAL as a percentage of payroll	35%	61%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(2.72%)	(2.51%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$48,684	\$76,825
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$574,890	\$88,476	15.80%	\$566,445	\$89,498
Tier 2 General Service	10.57%	587,954	62,147	10.58%	613,221	64,879
Total General Service		1,162,844	150,623		1,179,666	154,377
Tier 1 Police & Fire	17.62%	306,474	54,001	17.89%	477,035	85,342
Tier 2 Police & Fire	15.63%	670,651	104,823	15.70%	654,880	102,816
Total Police & Fire		977,125	158,824		1,131,915	188,158
Total		\$2,139,969	\$309,447		\$2,311,581	\$342,535
Employer normal cost rate						
General Service			12.95%			13.09%
Police & Fire			16.25%			16.62%
Aggregate (Default)			14.46%			14.82%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,037,682)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.42%)
B. Actual employer payroll	1,799,301
C. Payment to transition liability/(surplus)	(43,543)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.64%)
B. Actual employer payroll	1,713,104
C. Payment to transition liability/(surplus)	(45,226)
4. Supplemental payment to transition liability	0
5. Interest	(73,541)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,022,454)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,022,454)	(1,037,682)
2. Combined valuation payroll	3,517,394	3,661,769
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.72%)	(2.51%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,517,394	3,661,769
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of North Plains/2192
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of North Plains/2192

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of North Plains/2192

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Plains -- #2192

September 2014

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Executive Summary

Milliman has prepared this report for City of North Plains to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Plains.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of North Plains

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.15%	10.57%	16.57%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(2.10%)	(2.10%)	(2.10%)	(2.10%)	(2.10%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.35%	11.77%	17.77%	8.53%	12.64%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.88%	12.30%	18.30%	8.98%	13.09%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Plains

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$570,482	\$654,028
Allocated pre-SLGRP pooled liability/(surplus)	(145,361)	(126,572)
Transition liability/(surplus)	(168,774)	(173,828)
Allocated pooled OPSRP UAL	53,200	45,023
Side account	0	0
Net unfunded pension actuarial accrued liability	309,547	398,651
Combined valuation payroll	752,409	638,781
Net pension UAL as a percentage of payroll	41%	62%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(2.10%)	(2.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,414	\$13,402
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	201,846	21,335	10.58%	191,492	20,260
Total General Service		201,846	21,335		191,492	20,260
Tier 1 Police & Fire	17.62%	71,850	12,660	17.89%	59,811	10,700
Tier 2 Police & Fire	15.63%	80,465	12,577	15.70%	73,359	11,517
Total Police & Fire		152,315	25,237		133,170	22,217
Total		\$354,161	\$46,572		\$324,662	\$42,477
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.57%			16.68%
Aggregate (Default)			13.15%			13.08%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$173,828)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.17%)
B. Actual employer payroll	319,705
C. Payment to transition liability/(surplus)	(6,938)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.70%)
B. Actual employer payroll	379,828
C. Payment to transition liability/(surplus)	(10,255)
4. Supplemental payment to transition liability	0
5. Interest	(12,139)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$168,774)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(168,774)	(173,828)
2. Combined valuation payroll	752,409	638,781
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.10%)	(2.41%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	752,409	638,781
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of North Powder/2308
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of North Powder/2308

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of North Powder/2308

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of North Powder -- #2308

September 2014

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Executive Summary

Milliman has prepared this report for City of North Powder to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of North Powder.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of North Powder

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.37%)	(3.37%)	(3.37%)	(3.37%)	(3.37%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.31%	12.31%	18.25%	9.07%	13.18%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.84%	12.84%	18.78%	9.52%	13.63%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of North Powder

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$45,629	\$54,707
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(21,731)	(22,668)
Allocated pooled OPSRP UAL	4,255	3,766
Side account	0	0
Net unfunded pension actuarial accrued liability	28,153	35,805
Combined valuation payroll	60,180	53,432
Net pension UAL as a percentage of payroll	47%	67%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.37%)	(3.76%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$833	\$1,121
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	31,593	3,339	10.58%	31,354	3,317
Total General Service		31,593	3,339		31,354	3,317
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$31,593	\$3,339		\$31,354	\$3,317
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$22,668)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.46%)
B. Actual employer payroll	24,897
C. Payment to transition liability/(surplus)	(1,359)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.96%)
B. Actual employer payroll	28,794
C. Payment to transition liability/(surplus)	(1,141)
4. Supplemental payment to transition liability	0
5. Interest	(1,563)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$21,731)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(21,731)	(22,668)
2. Combined valuation payroll	60,180	53,432
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.37%)	(3.76%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	60,180	53,432
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Nyssa/2166
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Nyssa/2166

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Nyssa/2166

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Nyssa -- #2166

September 2014

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Executive Summary

Milliman has prepared this report for City of Nyssa to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Nyssa.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Nyssa

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.10%	13.39%	17.01%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.50%)	(0.50%)	(0.50%)	(0.50%)	(0.50%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.90%	16.19%	19.81%	10.13%	14.24%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.43%	16.72%	20.34%	10.58%	14.69%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Nyssa

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$556,624	\$690,279
Allocated pre-SLGRP pooled liability/(surplus)	(141,830)	(133,588)
Transition liability/(surplus)	(39,564)	(39,929)
Allocated pooled OPSRP UAL	51,908	47,519
Side account	0	0
Net unfunded pension actuarial accrued liability	427,138	564,281
Combined valuation payroll	734,132	674,187
Net pension UAL as a percentage of payroll	58%	84%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.50%)	(0.53%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,161	\$14,145
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$116,912	\$17,993	15.80%	\$104,590	\$16,525
Tier 2 General Service	10.57%	82,707	8,742	10.58%	93,294	9,871
Total General Service		199,619	26,735		197,884	26,396
Tier 1 Police & Fire	17.62%	123,707	21,797	17.89%	146,636	26,233
Tier 2 Police & Fire	15.63%	55,242	8,634	15.70%	53,962	8,472
Total Police & Fire		178,949	30,431		200,598	34,705
Total		\$378,568	\$57,166		\$398,482	\$61,101
Employer normal cost rate						
General Service			13.39%			13.34%
Police & Fire			17.01%			17.30%
Aggregate (Default)			15.10%			15.33%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$39,929)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.48%)
B. Actual employer payroll	295,289
C. Payment to transition liability/(surplus)	(1,417)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.53%)
B. Actual employer payroll	338,371
C. Payment to transition liability/(surplus)	(1,794)
4. Supplemental payment to transition liability	0
5. Interest	(2,846)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$39,564)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(39,564)	(39,929)
2. Combined valuation payroll	734,132	674,187
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.50%)	(0.53%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	734,132	674,187
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Oakland/2143
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Oakland/2143

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Oakland/2143

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oakland -- #2143

September 2014

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Executive Summary

Milliman has prepared this report for City of Oakland to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oakland.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Oakland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	7.09%	7.09%	7.09%	7.09%	7.09%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	25.86%	25.22%	28.71%	19.53%	23.64%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	26.39%	25.75%	29.24%	19.98%	24.09%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oakland

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$118,753	\$193,373
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	118,886	120,823
Allocated pooled OPSRP UAL	11,074	13,312
Side account	0	0
Net unfunded pension actuarial accrued liability	248,713	327,508
Combined valuation payroll	156,623	188,865
Net pension UAL as a percentage of payroll	159%	173%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	7.09%	5.68%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,168	\$3,962
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	4,198	444
Total General Service		0	0		4,198	444
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$4,198	\$444
Employer normal cost rate						
General Service			13.02%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$120,823
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	6.02%
B. Actual employer payroll	106,563
C. Payment to transition liability/(surplus)	6,415
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	5.06%
B. Actual employer payroll	80,503
C. Payment to transition liability/(surplus)	4,073
4. Supplemental payment to transition liability	0
5. Interest	8,551
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$118,886

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	118,886	120,823
2. Combined valuation payroll	156,623	188,865
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	7.09%	5.68%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	156,623	188,865
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Oakridge/2168
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Oakridge/2168

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Oakridge/2168

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oakridge -- #2168

September 2014

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Executive Summary

Milliman has prepared this report for City of Oakridge to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oakridge.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Oakridge

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.66%	11.74%	17.07%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	5.77%	5.77%	5.77%	5.77%	5.77%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.73%	20.81%	26.14%	16.40%	20.51%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	24.26%	21.34%	26.67%	16.85%	20.96%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oakridge

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$744,441	\$949,931
Allocated pre-SLGRP pooled liability/(surplus)	(189,687)	(183,837)
Transition liability/(surplus)	606,663	600,717
Allocated pooled OPSRP UAL	69,422	65,393
Side account	0	0
Net unfunded pension actuarial accrued liability	1,230,839	1,432,204
Combined valuation payroll	981,844	927,786
Net pension UAL as a percentage of payroll	125%	154%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	5.77%	5.74%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$13,590	\$19,465
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$51,843	\$7,979	15.80%	\$50,862	\$8,036
Tier 2 General Service	10.57%	161,151	17,034	10.58%	154,643	16,361
Total General Service		212,994	25,013		205,505	24,397
Tier 1 Police & Fire	17.62%	186,268	32,820	17.89%	216,951	38,813
Tier 2 Police & Fire	15.63%	71,162	11,123	15.70%	64,147	10,071
Total Police & Fire		257,430	43,943		281,098	48,884
Total		\$470,424	\$68,956		\$486,603	\$73,281
Employer normal cost rate						
General Service			11.74%			11.87%
Police & Fire			17.07%			17.39%
Aggregate (Default)			14.66%			15.06%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$600,717
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	3.82%
B. Actual employer payroll	474,407
C. Payment to transition liability/(surplus)	18,122
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	4.08%
B. Actual employer payroll	479,565
C. Payment to transition liability/(surplus)	19,567
4. Supplemental payment to transition liability	0
5. Interest	43,635
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$606,663

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	606,663	600,717
2. Combined valuation payroll	981,844	927,786
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	5.77%	5.74%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	981,844	927,786
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Oregon City/2119
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Oregon City/2119

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Oregon City/2119

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Oregon City -- #2119

September 2014

Secondary Employers

2727	Park Place Water District
2769	South Fork Water Board

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Executive Summary

Milliman has prepared this report for City of Oregon City to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Oregon City.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Oregon City

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.19%	12.08%	16.03%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(5.45%)	(5.45%)	(5.45%)	(5.45%)	(5.45%)
Net pension contribution rate	12.85%	11.74%	15.69%	6.99%	11.10%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.38%	12.27%	16.22%	7.44%	11.55%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Oregon City

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$8,683,079	\$11,049,600
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	809,734	760,650
Side account	6,684,081	6,306,038
Net unfunded pension actuarial accrued liability	2,808,732	5,504,212
Combined valuation payroll	11,452,114	10,792,006
Net pension UAL as a percentage of payroll	25%	51%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(5.45%)	(5.18%)
Allocated pooled RHIA UAL	\$158,510	\$226,421
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,485,016	\$228,544	15.80%	\$1,679,603	\$265,377
Tier 2 General Service	10.57%	3,263,916	344,996	10.58%	3,311,357	350,342
Total General Service		4,748,932	573,540		4,990,960	615,719
Tier 1 Police & Fire	17.62%	374,702	66,022	17.89%	562,680	100,663
Tier 2 Police & Fire	15.63%	1,492,148	233,223	15.70%	1,384,744	217,405
Total Police & Fire		1,866,850	299,245		1,947,424	318,068
Total		\$6,615,782	\$872,785		\$6,938,384	\$933,787
Employer normal cost rate						
General Service			12.08%			12.34%
Police & Fire			16.03%			16.33%
Aggregate (Default)			13.19%			13.46%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	11,452,114	10,792,006
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$6,306,038	\$6,306,038
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(580,720)	(580,720)
5. Side account earnings during 2013		959,763	959,763
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$6,684,081	\$6,684,081

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$6,684,081	\$6,306,038
Side Account 2	0	0
Side Account 3	0	0
Total	\$6,684,081	\$6,306,038

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$6,684,081	\$6,306,038
2. Combined valuation payroll	11,452,114	10,792,006
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(5.45%)	(5.18%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Pendleton/2154
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Pendleton/2154

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Pendleton/2154

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Pendleton -- #2154

September 2014

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Executive Summary

Milliman has prepared this report for City of Pendleton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Pendleton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Pendleton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.95%	13.42%	16.42%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(4.19%)	(4.19%)	(4.19%)	(4.19%)	(4.19%)
Net pension contribution rate	14.06%	12.53%	15.53%	6.44%	10.55%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.59%	13.06%	16.06%	6.89%	11.00%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Pendleton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,024,114	\$8,271,581
Allocated pre-SLGRP pooled liability/(surplus)	(1,534,971)	(1,600,774)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	561,774	569,412
Side account	3,564,881	3,305,226
Net unfunded pension actuarial accrued liability	1,486,036	3,934,993
Combined valuation payroll	7,945,205	8,078,749
Net pension UAL as a percentage of payroll	19%	49%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	(4.19%)	(3.63%)
Allocated pooled RHIA UAL	\$109,970	\$169,496
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,399,989	\$215,458	15.80%	\$1,500,612	\$237,097
Tier 2 General Service	10.57%	970,239	102,554	10.58%	1,003,040	106,122
Total General Service		2,370,228	318,012		2,503,652	343,219
Tier 1 Police & Fire	17.62%	984,930	173,545	17.89%	1,315,092	235,270
Tier 2 Police & Fire	15.63%	1,493,986	233,510	15.70%	1,550,807	243,477
Total Police & Fire		2,478,916	407,055		2,865,899	478,747
Total		\$4,849,144	\$725,067		\$5,369,551	\$821,966
Employer normal cost rate						
General Service			13.42%			13.71%
Police & Fire			16.42%			16.70%
Aggregate (Default)			14.95%			15.31%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	7,945,205	8,078,749
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,305,226	\$3,305,226
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(248,791)	(248,791)
5. Side account earnings during 2013		509,447	509,447
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$3,564,881	\$3,564,881

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$3,564,881	\$3,305,226
Side Account 2	0	0
Side Account 3	0	0
Total	\$3,564,881	\$3,305,226

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$3,564,881	\$3,305,226
2. Combined valuation payroll	7,945,205	8,078,749
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(4.19%)	(3.63%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Philomath/2187
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Philomath/2187

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Philomath/2187

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Philomath -- #2187

September 2014

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Executive Summary

Milliman has prepared this report for City of Philomath to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Philomath.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Philomath

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.03%	12.64%	16.93%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(3.35%)	(3.35%)	(3.35%)	(3.35%)	(3.35%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.98%	12.59%	16.88%	7.28%	11.39%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.51%	13.12%	17.41%	7.73%	11.84%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Philomath

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$971,999	\$1,415,257
Allocated pre-SLGRP pooled liability/(surplus)	(247,670)	(273,891)
Transition liability/(surplus)	(459,184)	(465,574)
Allocated pooled OPSRP UAL	90,643	97,426
Side account	0	0
Net unfunded pension actuarial accrued liability	355,788	773,218
Combined valuation payroll	1,281,969	1,382,264
Net pension UAL as a percentage of payroll	28%	56%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(3.35%)	(2.99%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$17,744	\$29,000
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$180,079	\$27,714	15.80%	\$335,060	\$52,939
Tier 2 General Service	10.57%	239,608	25,327	10.58%	221,085	23,391
Total General Service		419,687	53,041		556,145	76,330
Tier 1 Police & Fire	17.62%	132,083	23,273	17.89%	126,198	22,577
Tier 2 Police & Fire	15.63%	69,721	10,897	15.70%	65,126	10,225
Total Police & Fire		201,804	34,170		191,324	32,802
Total		\$621,491	\$87,211		\$747,469	\$109,132
Employer normal cost rate						
General Service			12.64%			13.72%
Police & Fire			16.93%			17.14%
Aggregate (Default)			14.03%			14.60%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$465,574)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.09%)
B. Actual employer payroll	698,859
C. Payment to transition liability/(surplus)	(21,595)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.75%)
B. Actual employer payroll	648,081
C. Payment to transition liability/(surplus)	(17,822)
4. Supplemental payment to transition liability	0
5. Interest	(33,027)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$459,184)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(459,184)	(465,574)
2. Combined valuation payroll	1,281,969	1,382,264
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.35%)	(2.99%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,281,969	1,382,264
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

City of Phoenix/2249
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Phoenix/2249

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Phoenix/2249

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Phoenix -- #2249

September 2014

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Executive Summary

Milliman has prepared this report for City of Phoenix to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Phoenix.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Phoenix

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.49%	10.57%	16.29%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(11.40%)	(11.40%)	(11.40%)	(11.40%)	(11.40%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	7.20%	4.28%	10.00%	1.04%	5.15%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	7.73%	4.81%	10.53%	1.49%	5.60%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Phoenix

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$766,247	\$1,045,491
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,232,604)	(1,240,380)
Allocated pooled OPSRP UAL	71,456	71,971
Side account	0	0
Net unfunded pension actuarial accrued liability	(394,901)	(122,918)
Combined valuation payroll	1,010,603	1,021,118
Net pension UAL as a percentage of payroll	(39%)	(12%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(11.40%)	(10.78%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$13,988	\$21,423
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$48,872	\$7,722
Tier 2 General Service	10.57%	180,384	19,067	10.58%	157,291	16,641
Total General Service		180,384	19,067		206,163	24,363
Tier 1 Police & Fire	17.62%	61,928	10,912	17.89%	62,038	11,099
Tier 2 Police & Fire	15.63%	125,963	19,688	15.70%	126,967	19,934
Total Police & Fire		187,891	30,600		189,005	31,033
Total		\$368,275	\$49,667		\$395,168	\$55,396
Employer normal cost rate						
General Service			10.57%			11.82%
Police & Fire			16.29%			16.42%
Aggregate (Default)			13.49%			14.02%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,240,380)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.05%)
B. Actual employer payroll	443,246
C. Payment to transition liability/(surplus)	(44,546)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(10.11%)
B. Actual employer payroll	513,213
C. Payment to transition liability/(surplus)	(51,886)
4. Supplemental payment to transition liability	0
5. Interest	(88,656)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,232,604)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,232,604)	(1,240,380)
2. Combined valuation payroll	1,010,603	1,021,118
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(11.40%)	(10.78%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,010,603	1,021,118
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Pilot Rock/2161
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Pilot Rock/2161

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Pilot Rock/2161

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Pilot Rock -- #2161

September 2014

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Executive Summary

Milliman has prepared this report for City of Pilot Rock to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Pilot Rock.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Pilot Rock

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.36%	13.56%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	3.81%	3.81%	3.81%	3.81%	3.81%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.47%	20.67%	22.74%	14.44%	18.55%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	22.00%	21.20%	23.27%	14.89%	19.00%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Pilot Rock

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$254,059	\$365,566
Allocated pre-SLGRP pooled liability/(surplus)	(64,735)	(70,747)
Transition liability/(surplus)	136,651	137,351
Allocated pooled OPSRP UAL	23,692	25,165
Side account	0	0
Net unfunded pension actuarial accrued liability	349,667	457,335
Combined valuation payroll	335,079	357,044
Net pension UAL as a percentage of payroll	104%	128%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	3.81%	3.41%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,638	\$7,491
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$71,122	\$10,946	15.80%	\$69,066	\$10,912
Tier 2 General Service	10.57%	43,580	4,606	10.58%	42,416	4,488
Total General Service		114,702	15,552		111,482	15,400
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	71,973	11,249	15.70%	64,444	10,118
Total Police & Fire		71,973	11,249		64,444	10,118
Total		\$186,675	\$26,801		\$175,926	\$25,518
Employer normal cost rate						
General Service			13.56%			13.81%
Police & Fire			15.63%			15.70%
Aggregate (Default)			14.36%			14.50%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$137,351
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	3.16%
B. Actual employer payroll	150,464
C. Payment to transition liability/(surplus)	4,755
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	3.96%
B. Actual employer payroll	145,805
C. Payment to transition liability/(surplus)	5,774
4. Supplemental payment to transition liability	0
5. Interest	9,829
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$136,651

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	136,651	137,351
2. Combined valuation payroll	335,079	357,044
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	3.81%	3.41%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	335,079	357,044
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Port Orford/2184
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Port Orford/2184

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Port Orford/2184

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Port Orford -- #2184

September 2014

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Executive Summary

Milliman has prepared this report for City of Port Orford to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Port Orford.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Port Orford

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.16%	13.16%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.94%)	(0.94%)	(0.94%)	(0.94%)	(0.94%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.52%	15.52%	18.87%	9.69%	13.80%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.05%	16.05%	19.40%	10.14%	14.25%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Port Orford

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$330,390	\$450,617
Allocated pre-SLGRP pooled liability/(surplus)	(84,185)	(87,207)
Transition liability/(surplus)	(44,042)	(44,963)
Allocated pooled OPSRP UAL	30,810	31,020
Side account	0	0
Net unfunded pension actuarial accrued liability	232,973	349,467
Combined valuation payroll	435,751	440,112
Net pension UAL as a percentage of payroll	53%	79%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.94%)	(0.91%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$6,031	\$9,234
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$112,414	\$17,301	15.80%	\$112,740	\$17,813
Tier 2 General Service	10.57%	96,725	10,224	10.58%	159,692	16,895
Total General Service		209,139	27,525		272,432	34,708
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$209,139	\$27,525		\$272,432	\$34,708
Employer normal cost rate						
General Service			13.16%			12.74%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.16%			12.74%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$44,963)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.01%)
B. Actual employer payroll	215,242
C. Payment to transition liability/(surplus)	(2,174)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.91%)
B. Actual employer payroll	210,468
C. Payment to transition liability/(surplus)	(1,915)
4. Supplemental payment to transition liability	0
5. Interest	(3,168)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$44,042)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(44,042)	(44,963)
2. Combined valuation payroll	435,751	440,112
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.94%)	(0.91%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	435,751	440,112
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Portland/2121
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Portland/2121

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Portland/2121

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Portland -- #2121

September 2014

Secondary Employers

2156	Portland Development Commission
2173	Portland Boxing Commission
2509	Multnomah Rural Fire Protection District #2
2520	Powell Valley Road Water District
2525	Metropolitan Planning Commission
2566	Capitol Highway Water District
2680	Gilbert Water District
2683	City of Portland Water Bureau

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Executive Summary

Milliman has prepared this report for City of Portland to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Portland.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Portland

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.06%	13.02%	16.14%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	5.64%	5.64%	5.64%	5.64%	5.64%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(4.69%)	(4.69%)	(4.69%)	(4.69%)	(4.69%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.81%	12.77%	15.89%	7.08%	11.19%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.34%	13.30%	16.42%	7.53%	11.64%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Portland

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$237,540,037	\$319,128,292
Allocated pre-SLGRP pooled liability/(surplus)	(60,526,261)	(61,759,951)
Transition liability/(surplus)	(157,283,168)	(159,859,883)
Allocated pooled OPSRP UAL	22,151,623	21,968,670
Side account	0	0
Net unfunded pension actuarial accrued liability	41,882,231	119,477,128
Combined valuation payroll	313,291,592	311,688,601
Net pension UAL as a percentage of payroll	13%	38%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(4.69%)	(4.55%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,336,291	\$6,539,359
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$84,578,032	\$13,016,559	15.80%	\$95,028,276	\$15,014,468
Tier 2 General Service	10.57%	81,876,360	8,654,331	10.58%	84,472,256	8,937,165
Total General Service		166,454,392	21,670,890		179,500,532	23,951,633
Tier 1 Police & Fire	17.62%	595,537	104,934	17.89%	698,197	124,907
Tier 2 Police & Fire	15.63%	1,716,356	268,266	15.70%	1,549,186	243,222
Total Police & Fire		2,311,893	373,200		2,247,383	368,129
Total		\$168,766,285	\$22,044,090		\$181,747,915	\$24,319,762
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.14%			16.38%
Aggregate (Default)			13.06%			13.38%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$159,859,883)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.34%)
B. Actual employer payroll	153,686,748
C. Payment to transition liability/(surplus)	(6,670,005)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.59%)
B. Actual employer payroll	157,285,845
C. Payment to transition liability/(surplus)	(7,219,420)
4. Supplemental payment to transition liability	0
5. Interest	(11,312,710)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$157,283,168)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(157,283,168)	(159,859,883)
2. Combined valuation payroll	313,291,592	311,688,601
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.69%)	(4.55%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	313,291,592	311,688,601
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Redmond/2122
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Redmond/2122

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Redmond/2122

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Redmond -- #2122

September 2014

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Executive Summary

Milliman has prepared this report for City of Redmond to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Redmond.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Redmond

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.58%	12.44%	16.19%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.85%)	(5.85%)	(5.85%)	(5.85%)	(5.85%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.84%	11.70%	15.45%	6.59%	10.70%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.37%	12.23%	15.98%	7.04%	11.15%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Redmond

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,808,440	\$9,106,892
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(5,623,802)	(5,721,405)
Allocated pooled OPSRP UAL	634,916	626,915
Side account	0	0
Net unfunded pension actuarial accrued liability	1,819,554	4,012,402
Combined valuation payroll	8,979,652	8,894,587
Net pension UAL as a percentage of payroll	20%	45%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.85%)	(5.71%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$124,288	\$186,612
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,181,556	\$181,841	15.80%	\$1,112,356	\$175,752
Tier 2 General Service	10.57%	1,863,858	197,010	10.58%	1,914,222	202,525
Total General Service		3,045,414	378,851		3,026,578	378,277
Tier 1 Police & Fire	17.62%	374,930	66,063	17.89%	350,139	62,640
Tier 2 Police & Fire	15.63%	964,820	150,801	15.70%	1,030,408	161,774
Total Police & Fire		1,339,750	216,864		1,380,547	224,414
Total		\$4,385,164	\$595,715		\$4,407,125	\$602,691
Employer normal cost rate						
General Service			12.44%			12.50%
Police & Fire			16.19%			16.26%
Aggregate (Default)			13.58%			13.68%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$5,721,405)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.48%)
B. Actual employer payroll	4,359,758
C. Payment to transition liability/(surplus)	(238,915)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.70%)
B. Actual employer payroll	4,617,254
C. Payment to transition liability/(surplus)	(263,184)
4. Supplemental payment to transition liability	0
5. Interest	(404,496)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$5,623,802)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(5,623,802)	(5,721,405)
2. Combined valuation payroll	8,979,652	8,894,587
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.85%)	(5.71%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	8,979,652	8,894,587
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Reedsport/2139
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Reedsport/2139

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Reedsport/2139

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Reedsport -- #2139

September 2014

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Executive Summary

Milliman has prepared this report for City of Reedsport to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Reedsport.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Reedsport

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.74%	12.44%	16.10%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(11.77%)	(11.77%)	(11.77%)	(11.77%)	(11.77%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	5.27%	3.97%	7.63%	0.00%	2.97%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	5.80%	4.50%	8.16%	0.45%	3.42%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Reedsport

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,046,640	\$1,392,434
Allocated pre-SLGRP pooled liability/(surplus)	(266,688)	(269,474)
Transition liability/(surplus)	(1,739,399)	(1,758,655)
Allocated pooled OPSRP UAL	97,604	95,855
Side account	0	0
Net unfunded pension actuarial accrued liability	(861,843)	(539,840)
Combined valuation payroll	1,380,413	1,359,973
Net pension UAL as a percentage of payroll	(62%)	(40%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(11.77%)	(11.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$19,106	\$28,533
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$177,178	\$27,268	15.80%	\$175,902	\$27,793
Tier 2 General Service	10.57%	278,736	29,462	10.58%	341,819	36,164
Total General Service		455,914	56,730		517,721	63,957
Tier 1 Police & Fire	17.62%	58,705	10,344	17.89%	57,947	10,367
Tier 2 Police & Fire	15.63%	190,490	29,774	15.70%	197,856	31,063
Total Police & Fire		249,195	40,118		255,803	41,430
Total		\$705,109	\$96,848		\$773,524	\$105,387
Employer normal cost rate						
General Service			12.44%			12.35%
Police & Fire			16.10%			16.20%
Aggregate (Default)			13.74%			13.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,758,655)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(10.54%)
B. Actual employer payroll	694,153
C. Payment to transition liability/(surplus)	(73,164)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(10.59%)
B. Actual employer payroll	672,332
C. Payment to transition liability/(surplus)	(71,200)
4. Supplemental payment to transition liability	0
5. Interest	(125,108)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,739,399)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,739,399)	(1,758,655)
2. Combined valuation payroll	1,380,413	1,359,973
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(11.77%)	(11.47%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,380,413	1,359,973
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Riddle/2260
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Riddle/2260

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Riddle/2260

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Riddle -- #2260

September 2014

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Executive Summary

Milliman has prepared this report for City of Riddle to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Riddle.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Riddle

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.42%	14.42%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.26%)	(4.26%)	(4.26%)	(4.26%)	(4.26%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.27%	15.27%	17.36%	8.18%	12.29%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.80%	15.80%	17.89%	8.63%	12.74%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Riddle

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$197,613	\$262,944
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(118,722)	(120,857)
Allocated pooled OPSRP UAL	18,428	18,101
Side account	0	0
Net unfunded pension actuarial accrued liability	97,319	160,188
Combined valuation payroll	260,632	256,814
Net pension UAL as a percentage of payroll	37%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.26%)	(4.17%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,607	\$5,388
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$140,700	\$21,654	15.80%	\$142,152	\$22,460
Tier 2 General Service	10.57%	35,255	3,726	10.58%	32,925	3,483
Total General Service		175,955	25,380		175,077	25,943
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$175,955	\$25,380		\$175,077	\$25,943
Employer normal cost rate						
General Service			14.42%			14.82%
Police & Fire			16.51%			16.72%
Aggregate (Default)			14.42%			14.82%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$120,857)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.29%)
B. Actual employer payroll	117,743
C. Payment to transition liability/(surplus)	(5,051)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.27%)
B. Actual employer payroll	131,694
C. Payment to transition liability/(surplus)	(5,623)
4. Supplemental payment to transition liability	0
5. Interest	(8,539)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$118,722)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(118,722)	(120,857)
2. Combined valuation payroll	260,632	256,814
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.26%)	(4.17%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	260,632	256,814
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Rockaway Beach/2203
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Rockaway Beach/2203

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Rockaway Beach/2203

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Rockaway Beach -- #2203

September 2014

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Executive Summary

Milliman has prepared this report for City of Rockaway Beach to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Rockaway Beach.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Rockaway Beach

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	11.38%	11.38%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.27%)	(4.27%)	(4.27%)	(4.27%)	(4.27%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.22%	12.22%	17.35%	8.17%	12.28%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.75%	12.75%	17.88%	8.62%	12.73%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Rockaway Beach

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$554,609	\$659,798
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(333,906)	(341,116)
Allocated pooled OPSRP UAL	51,720	45,420
Side account	0	0
Net unfunded pension actuarial accrued liability	272,423	364,102
Combined valuation payroll	731,474	644,416
Net pension UAL as a percentage of payroll	37%	57%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.27%)	(4.70%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,124	\$13,520
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$45,983	\$7,077	15.80%	\$41,329	\$6,530
Tier 2 General Service	10.57%	226,455	23,936	10.58%	216,646	22,921
Total General Service		272,438	31,013		257,975	29,451
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$272,438	\$31,013		\$257,975	\$29,451
Employer normal cost rate						
General Service			11.38%			11.42%
Police & Fire			16.51%			16.72%
Aggregate (Default)			11.38%			11.42%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$341,116)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.10%)
B. Actual employer payroll	348,319
C. Payment to transition liability/(surplus)	(14,281)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.38%)
B. Actual employer payroll	386,864
C. Payment to transition liability/(surplus)	(16,945)
4. Supplemental payment to transition liability	0
5. Interest	(24,016)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$333,906)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(333,906)	(341,116)
2. Combined valuation payroll	731,474	644,416
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.27%)	(4.70%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	731,474	644,416
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Rogue River/2251
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Rogue River/2251

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Rogue River/2251

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Rogue River -- #2251

September 2014

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Executive Summary

Milliman has prepared this report for City of Rogue River to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Rogue River.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Rogue River

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.19%	13.37%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	3.54%	3.54%	3.54%	3.54%	3.54%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.03%	20.21%	22.47%	14.17%	18.28%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	21.56%	20.74%	23.00%	14.62%	18.73%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Rogue River

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$509,296	\$704,937
Allocated pre-SLGRP pooled liability/(surplus)	(129,771)	(136,424)
Transition liability/(surplus)	254,202	257,205
Allocated pooled OPSRP UAL	47,494	48,528
Side account	0	0
Net unfunded pension actuarial accrued liability	681,221	874,246
Combined valuation payroll	671,711	688,503
Net pension UAL as a percentage of payroll	101%	127%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	3.54%	3.31%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$9,297	\$14,445
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$124,710	\$19,193	15.80%	\$126,429	\$19,976
Tier 2 General Service	10.57%	89,952	9,508	10.58%	88,546	9,368
Total General Service		214,662	28,701		214,975	29,344
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	122,370	19,126	15.70%	134,917	21,182
Total Police & Fire		122,370	19,126		134,917	21,182
Total		\$337,032	\$47,827		\$349,892	\$50,526
Employer normal cost rate						
General Service			13.37%			13.65%
Police & Fire			15.63%			15.70%
Aggregate (Default)			14.19%			14.44%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$257,205
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	3.35%
B. Actual employer payroll	316,937
C. Payment to transition liability/(surplus)	10,617
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	3.32%
B. Actual employer payroll	321,363
C. Payment to transition liability/(surplus)	10,670
4. Supplemental payment to transition liability	0
5. Interest	18,284
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$254,202

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	254,202	257,205
2. Combined valuation payroll	671,711	688,503
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	3.54%	3.31%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	671,711	688,503
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Roseburg/2100
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Roseburg/2100

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Roseburg/2100

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Roseburg -- #2100

September 2014

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Executive Summary

Milliman has prepared this report for City of Roseburg to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Roseburg.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Roseburg

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.23%	13.09%	16.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.53%	16.39%	19.93%	10.63%	14.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.06%	16.92%	20.46%	11.08%	15.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Roseburg

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$7,762,720	\$10,397,182
Allocated pre-SLGRP pooled liability/(surplus)	(1,977,976)	(2,012,136)
Transition liability/(surplus)	0	4,826,043
Allocated pooled OPSRP UAL	723,907	715,738
Side account	0	0
Net unfunded pension actuarial accrued liability	6,508,651	13,926,827
Combined valuation payroll	10,238,253	10,154,797
Net pension UAL as a percentage of payroll	64%	137%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	4.22%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$141,708	\$213,052
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,153,472	\$177,519	15.80%	\$1,292,450	\$204,207
Tier 2 General Service	10.57%	1,050,544	111,043	10.58%	1,124,171	118,937
Total General Service		2,204,016	288,562		2,416,621	323,144
Tier 1 Police & Fire	17.62%	1,695,031	298,664	17.89%	1,997,124	357,285
Tier 2 Police & Fire	15.63%	1,688,075	263,846	15.70%	1,687,537	264,943
Total Police & Fire		3,383,106	562,510		3,684,661	622,228
Total		\$5,587,122	\$851,072		\$6,101,282	\$945,372
Employer normal cost rate						
General Service			13.09%			13.37%
Police & Fire			16.63%			16.89%
Aggregate (Default)			15.23%			15.49%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$4,826,043
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	4.21%
B. Actual employer payroll	5,083,792
C. Payment to transition liability/(surplus)	214,028
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	4.25%
B. Actual employer payroll	4,126,135
C. Payment to transition liability/(surplus)	175,360
4. Supplemental payment to transition liability	4,760,891
5. Interest	324,236
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	4,826,043
2. Combined valuation payroll	10,238,253	10,154,797
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	4.22%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	10,238,253	10,154,797
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Sandy/2172
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Sandy/2172

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Sandy/2172

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sandy -- #2172

September 2014

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Executive Summary

Milliman has prepared this report for City of Sandy to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sandy.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Sandy

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.93%	13.05%	15.96%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.85%)	(0.85%)	(0.85%)	(0.85%)	(0.85%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.38%	15.50%	18.41%	9.78%	13.89%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.91%	16.03%	18.94%	10.23%	14.34%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sandy

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,569,205	\$3,362,432
Allocated pre-SLGRP pooled liability/(surplus)	(654,645)	(650,721)
Transition liability/(surplus)	(308,870)	(320,219)
Allocated pooled OPSRP UAL	239,589	231,469
Side account	0	0
Net unfunded pension actuarial accrued liability	1,845,279	2,622,961
Combined valuation payroll	3,388,525	3,284,045
Net pension UAL as a percentage of payroll	54%	80%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.85%)	(0.87%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$46,901	\$68,901
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$555,576	\$85,503	15.80%	\$665,118	\$105,089
Tier 2 General Service	10.57%	523,881	55,374	10.58%	534,197	56,518
Total General Service		1,079,457	140,877		1,199,315	161,607
Tier 1 Police & Fire	17.62%	76,943	13,557	17.89%	77,831	13,924
Tier 2 Police & Fire	15.63%	386,826	60,461	15.70%	374,405	58,782
Total Police & Fire		463,769	74,018		452,236	72,706
Total		\$1,543,226	\$214,895		\$1,651,551	\$234,313
Employer normal cost rate						
General Service			13.05%			13.47%
Police & Fire			15.96%			16.08%
Aggregate (Default)			13.93%			14.19%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$320,219)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.08%)
B. Actual employer payroll	1,621,610
C. Payment to transition liability/(surplus)	(17,513)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.96%)
B. Actual employer payroll	1,672,064
C. Payment to transition liability/(surplus)	(16,052)
4. Supplemental payment to transition liability	0
5. Interest	(22,216)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$308,870)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(308,870)	(320,219)
2. Combined valuation payroll	3,388,525	3,284,045
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.85%)	(0.87%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,388,525	3,284,045
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Scappoose/2176
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Scappoose/2176

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Scappoose/2176

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Scappoose -- #2176

September 2014

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Executive Summary

Milliman has prepared this report for City of Scappoose to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Scappoose.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Scappoose

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.94%	12.38%	16.64%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.63%)	(1.63%)	(1.63%)	(1.63%)	(1.63%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.42%	15.86%	20.12%	10.81%	14.92%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.95%	16.39%	20.65%	11.26%	15.37%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Scappoose

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,244,582	\$2,193,564
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(287,133)	(293,919)
Allocated pooled OPSRP UAL	116,063	151,004
Side account	0	0
Net unfunded pension actuarial accrued liability	1,073,512	2,050,649
Combined valuation payroll	1,641,479	2,142,426
Net pension UAL as a percentage of payroll	65%	96%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.63%)	(1.22%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$22,720	\$44,949
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$229,029	\$35,248	15.80%	\$461,882	\$72,977
Tier 2 General Service	10.57%	379,739	40,138	10.58%	527,398	55,799
Total General Service		608,768	75,386		989,280	128,776
Tier 1 Police & Fire	17.62%	176,900	31,170	17.89%	177,815	31,811
Tier 2 Police & Fire	15.63%	172,780	27,006	15.70%	242,612	38,090
Total Police & Fire		349,680	58,176		420,427	69,901
Total		\$958,448	\$133,562		\$1,409,707	\$198,677
Employer normal cost rate						
General Service			12.38%			13.02%
Police & Fire			16.64%			16.63%
Aggregate (Default)			13.94%			14.09%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$293,919)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.39%)
B. Actual employer payroll	1,033,921
C. Payment to transition liability/(surplus)	(14,372)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.28%)
B. Actual employer payroll	1,020,804
C. Payment to transition liability/(surplus)	(13,066)
4. Supplemental payment to transition liability	0
5. Interest	(20,652)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$287,133)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(287,133)	(293,919)
2. Combined valuation payroll	1,641,479	2,142,426
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.63%)	(1.22%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,641,479	2,142,426
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

City of Shady Cove/2254
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Shady Cove/2254

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Shady Cove/2254

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Shady Cove -- #2254

September 2014

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Executive Summary

Milliman has prepared this report for City of Shady Cove to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Shady Cove.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Shady Cove

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(39.25%)	(39.25%)	(39.25%)	(39.25%)	(39.25%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Shady Cove

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$58,719	\$234,384
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(325,368)	(318,453)
Allocated pooled OPSRP UAL	5,476	16,135
Side account	0	0
Net unfunded pension actuarial accrued liability	(261,173)	(67,934)
Combined valuation payroll	77,444	228,920
Net pension UAL as a percentage of payroll	(337%)	(30%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(39.25%)	(12.34%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,072	\$4,803
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	86,754	9,179
Total General Service		0	0		86,754	9,179
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$86,754	\$9,179
Employer normal cost rate						
General Service			13.02%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$318,453)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(6.01%)
B. Actual employer payroll	120,580
C. Payment to transition liability/(surplus)	(7,247)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(15.19%)
B. Actual employer payroll	72,522
C. Payment to transition liability/(surplus)	(9,240)
4. Supplemental payment to transition liability	0
5. Interest	(23,402)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$325,368)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(325,368)	(318,453)
2. Combined valuation payroll	77,444	228,920
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(39.25%)	(12.34%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	77,444	228,920
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Sherwood/2142
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Sherwood/2142

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Sherwood/2142

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sherwood -- #2142

September 2014

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Executive Summary

Milliman has prepared this report for City of Sherwood to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sherwood.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Sherwood

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.59%	11.84%	16.33%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.27%)	(0.27%)	(0.27%)	(0.27%)	(0.27%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.62%	14.87%	19.36%	10.36%	14.47%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.15%	15.40%	19.89%	10.81%	14.92%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sherwood

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,647,250	\$5,768,938
Allocated pre-SLGRP pooled liability/(surplus)	(1,184,140)	(1,116,445)
Transition liability/(surplus)	(177,657)	(182,271)
Allocated pooled OPSRP UAL	433,376	397,131
Side account	0	0
Net unfunded pension actuarial accrued liability	3,718,829	4,867,353
Combined valuation payroll	6,129,259	5,634,449
Net pension UAL as a percentage of payroll	61%	86%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.27%)	(0.29%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$84,835	\$118,213
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$484,319	\$74,537	15.80%	\$498,720	\$78,798
Tier 2 General Service	10.57%	1,346,973	142,375	10.58%	1,338,478	141,611
Total General Service		1,831,292	216,912		1,837,198	220,409
Tier 1 Police & Fire	17.62%	411,337	72,478	17.89%	385,493	68,965
Tier 2 Police & Fire	15.63%	750,919	117,369	15.70%	716,062	112,422
Total Police & Fire		1,162,256	189,847		1,101,555	181,387
Total		\$2,993,548	\$406,759		\$2,938,753	\$401,796
Employer normal cost rate						
General Service			11.84%			12.00%
Police & Fire			16.33%			16.47%
Aggregate (Default)			13.59%			13.67%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$182,271)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.29%)
B. Actual employer payroll	2,850,299
C. Payment to transition liability/(surplus)	(8,266)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.30%)
B. Actual employer payroll	3,042,078
C. Payment to transition liability/(surplus)	(9,126)
4. Supplemental payment to transition liability	0
5. Interest	(12,778)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$177,657)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(177,657)	(182,271)
2. Combined valuation payroll	6,129,259	5,634,449
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.27%)	(0.29%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	6,129,259	5,634,449
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Silverton/2273
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Silverton/2273

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Silverton/2273

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Silverton -- #2273

September 2014

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Executive Summary

Milliman has prepared this report for City of Silverton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Silverton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Silverton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.96%	12.69%	16.56%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.09%)	(0.09%)	(0.09%)	(0.09%)	(0.09%)
Side account rate relief ²	(2.31%)	(2.31%)	(2.31%)	(2.31%)	(2.31%)
Net pension contribution rate	14.86%	13.59%	17.46%	8.23%	12.34%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.39%	14.12%	17.99%	8.68%	12.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Silverton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,053,183	\$2,659,858
Allocated pre-SLGRP pooled liability/(surplus)	(523,160)	(514,754)
Transition liability/(surplus)	(26,944)	(27,346)
Allocated pooled OPSRP UAL	191,468	183,104
Side account	669,059	625,581
Net unfunded pension actuarial accrued liability	1,025,488	1,675,281
Combined valuation payroll	2,707,943	2,597,850
Net pension UAL as a percentage of payroll	38%	64%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.09%)	(0.09%)
Side account rate relief	(2.31%)	(2.14%)
Allocated pooled RHIA UAL	\$37,481	\$54,504
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$489,926	\$75,400	15.80%	\$502,875	\$79,454
Tier 2 General Service	10.57%	624,868	66,049	10.58%	611,331	64,679
Total General Service		1,114,794	141,449		1,114,206	144,133
Tier 1 Police & Fire	17.62%	254,067	44,767	17.89%	251,608	45,013
Tier 2 Police & Fire	15.63%	291,685	45,590	15.70%	283,724	44,545
Total Police & Fire		545,752	90,357		535,332	89,558
Total		\$1,660,546	\$231,806		\$1,649,538	\$233,691
Employer normal cost rate						
General Service			12.69%			12.94%
Police & Fire			16.56%			16.73%
Aggregate (Default)			13.96%			14.17%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$27,346)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.09%)
B. Actual employer payroll	1,292,040
C. Payment to transition liability/(surplus)	(1,163)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.09%)
B. Actual employer payroll	1,307,686
C. Payment to transition liability/(surplus)	(1,177)
4. Supplemental payment to transition liability	0
5. Interest	(1,938)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$26,944)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(26,944)	(27,346)
2. Combined valuation payroll	2,707,943	2,597,850
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.09%)	(0.09%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$625,581	\$625,581
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(51,291)	(51,291)
5. Side account earnings during 2013		95,769	95,769
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$669,059	\$669,059

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$669,059	\$625,581
Side Account 2	0	0
Side Account 3	0	0
Total	\$669,059	\$625,581

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$669,059	\$625,581
2. Combined valuation payroll	2,707,943	2,597,850
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(2.31%)	(2.14%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Sisters/2221
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Sisters/2221

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Sisters/2221

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sisters -- #2221

September 2014

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Executive Summary

Milliman has prepared this report for City of Sisters to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sisters.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Sisters

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	11.55%	11.55%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(4.13%)	(4.13%)	(4.13%)	(4.13%)	(4.13%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.72%	10.72%	15.68%	6.50%	10.61%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.25%	11.25%	16.21%	6.95%	11.06%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sisters

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$600,036	\$865,449
Allocated pre-SLGRP pooled liability/(surplus)	(152,892)	(167,488)
Transition liability/(surplus)	(349,899)	(352,188)
Allocated pooled OPSRP UAL	55,956	59,577
Side account	0	0
Net unfunded pension actuarial accrued liability	153,201	405,350
Combined valuation payroll	791,388	845,273
Net pension UAL as a percentage of payroll	19%	48%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(4.13%)	(3.70%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,954	\$17,734
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$61,684	\$9,493	15.80%	\$63,537	\$10,039
Tier 2 General Service	10.57%	240,794	25,452	10.58%	392,863	41,565
Total General Service		302,478	34,945		456,400	51,604
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$302,478	\$34,945		\$456,400	\$51,604
Employer normal cost rate						
General Service			11.55%			11.31%
Police & Fire			16.51%			16.72%
Aggregate (Default)			11.55%			11.31%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$352,188)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.39%)
B. Actual employer payroll	397,895
C. Payment to transition liability/(surplus)	(13,489)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.75%)
B. Actual employer payroll	372,465
C. Payment to transition liability/(surplus)	(13,967)
4. Supplemental payment to transition liability	0
5. Interest	(25,167)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$349,899)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(349,899)	(352,188)
2. Combined valuation payroll	791,388	845,273
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.13%)	(3.70%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	791,388	845,273
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Springfield/2278
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Springfield/2278

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Springfield/2278

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Springfield -- #2278

September 2014

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Executive Summary

Milliman has prepared this report for City of Springfield to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Springfield.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Springfield

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.05%	11.79%	16.47%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.56%)	(7.56%)	(7.56%)	(7.56%)	(7.56%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.60%	9.34%	14.02%	4.88%	8.99%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.13%	9.87%	14.55%	5.33%	9.44%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Springfield

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$20,542,712	\$26,962,783
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(21,926,281)	(22,265,793)
Allocated pooled OPSRP UAL	1,915,696	1,856,108
Side account	0	0
Net unfunded pension actuarial accrued liability	532,127	6,553,098
Combined valuation payroll	27,093,786	26,334,212
Net pension UAL as a percentage of payroll	2%	25%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.56%)	(7.50%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$375,007	\$552,503
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$2,167,663	\$333,603	15.80%	\$2,322,274	\$366,919
Tier 2 General Service	10.57%	6,374,392	673,773	10.58%	6,537,155	691,631
Total General Service		8,542,055	1,007,376		8,859,429	1,058,550
Tier 1 Police & Fire	17.62%	3,341,303	588,738	17.89%	3,382,419	605,115
Tier 2 Police & Fire	15.63%	4,616,049	721,488	15.70%	4,481,724	703,631
Total Police & Fire		7,957,352	1,310,226		7,864,143	1,308,746
Total		\$16,499,407	\$2,317,602		\$16,723,572	\$2,367,296
Employer normal cost rate						
General Service			11.79%			11.95%
Police & Fire			16.47%			16.64%
Aggregate (Default)			14.05%			14.16%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$22,265,793)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.17%)
B. Actual employer payroll	12,494,346
C. Payment to transition liability/(surplus)	(895,845)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.66%)
B. Actual employer payroll	13,325,472
C. Payment to transition liability/(surplus)	(1,020,731)
4. Supplemental payment to transition liability	0
5. Interest	(1,577,064)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$21,926,281)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(21,926,281)	(22,265,793)
2. Combined valuation payroll	27,093,786	26,334,212
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.56%)	(7.50%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	27,093,786	26,334,212
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of St Helens/2123
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of St Helens/2123

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of St Helens/2123

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of St Helens -- #2123

September 2014

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Executive Summary

Milliman has prepared this report for City of St Helens to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of St Helens.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of St Helens

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.65%	12.11%	16.80%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	2.10%	2.10%	2.10%	2.10%	2.10%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.86%	19.32%	24.01%	14.54%	18.65%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	21.39%	19.85%	24.54%	14.99%	19.10%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of St Helens

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,969,055	\$4,038,597
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	880,171	882,897
Allocated pooled OPSRP UAL	276,877	278,015
Side account	0	0
Net unfunded pension actuarial accrued liability	4,126,103	5,199,509
Combined valuation payroll	3,915,887	3,944,447
Net pension UAL as a percentage of payroll	105%	132%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	2.10%	1.99%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$54,200	\$82,756
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$490,612	\$75,505	15.80%	\$554,918	\$87,677
Tier 2 General Service	10.57%	1,046,583	110,624	10.58%	1,112,995	117,755
Total General Service		1,537,195	186,129		1,667,913	205,432
Tier 1 Police & Fire	17.62%	442,290	77,931	17.89%	412,532	73,802
Tier 2 Police & Fire	15.63%	310,154	48,477	15.70%	310,376	48,729
Total Police & Fire		752,444	126,408		722,908	122,531
Total		\$2,289,639	\$312,537		\$2,390,821	\$327,963
Employer normal cost rate						
General Service			12.11%			12.32%
Police & Fire			16.80%			16.95%
Aggregate (Default)			13.65%			13.72%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$882,897
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	1.64%
B. Actual employer payroll	1,908,593
C. Payment to transition liability/(surplus)	31,301
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	1.79%
B. Actual employer payroll	1,940,330
C. Payment to transition liability/(surplus)	34,732
4. Supplemental payment to transition liability	0
5. Interest	63,307
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$880,171

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	880,171	882,897
2. Combined valuation payroll	3,915,887	3,944,447
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	2.10%	1.99%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,915,887	3,944,447
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Stayton/2757
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Stayton/2757

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Stayton/2757

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Stayton -- #2757

September 2014

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Executive Summary

Milliman has prepared this report for City of Stayton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Stayton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Stayton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.01%)	(1.01%)	(1.01%)	(1.01%)	(1.01%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.92%	15.31%	17.92%	9.62%	13.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.45%	15.84%	18.45%	10.07%	14.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Stayton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$630,509	\$832,783
Allocated pre-SLGRP pooled liability/(surplus)	(160,657)	(161,166)
Transition liability/(surplus)	(90,337)	(91,374)
Allocated pooled OPSRP UAL	58,798	57,328
Side account	0	0
Net unfunded pension actuarial accrued liability	438,313	637,571
Combined valuation payroll	831,579	813,369
Net pension UAL as a percentage of payroll	53%	78%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.01%)	(1.00%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$11,510	\$17,065
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	516,189	80,680	15.70%	502,446	78,884
Total Police & Fire		516,189	80,680		502,446	78,884
Total		\$516,189	\$80,680		\$502,446	\$78,884
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$91,374)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.85%)
B. Actual employer payroll	419,248
C. Payment to transition liability/(surplus)	(3,564)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.92%)
B. Actual employer payroll	431,682
C. Payment to transition liability/(surplus)	(3,971)
4. Supplemental payment to transition liability	0
5. Interest	(6,498)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$90,337)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(90,337)	(91,374)
2. Combined valuation payroll	831,579	813,369
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.01%)	(1.00%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	831,579	813,369
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Sutherlin/2217
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Sutherlin/2217

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Sutherlin/2217

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Sutherlin -- #2217

September 2014

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Executive Summary

Milliman has prepared this report for City of Sutherlin to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Sutherlin.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Sutherlin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.47%	13.40%	16.28%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(7.87%)	(7.87%)	(7.87%)	(7.87%)	(7.87%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.90%	8.83%	11.71%	2.76%	6.87%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.43%	9.36%	12.24%	3.21%	7.32%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Sutherlin

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,604,827	\$2,027,328
Allocated pre-SLGRP pooled liability/(surplus)	(408,917)	(392,343)
Transition liability/(surplus)	(1,783,313)	(1,788,317)
Allocated pooled OPSRP UAL	149,657	139,561
Side account	0	0
Net unfunded pension actuarial accrued liability	(437,746)	(13,771)
Combined valuation payroll	2,116,607	1,980,066
Net pension UAL as a percentage of payroll	(21%)	(1%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(7.87%)	(8.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$29,296	\$41,543
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$420,424	\$64,703	15.80%	\$458,156	\$72,389
Tier 2 General Service	10.57%	294,469	31,125	10.58%	331,839	35,109
Total General Service		714,893	95,828		789,995	107,498
Tier 1 Police & Fire	17.62%	138,221	24,355	17.89%	141,880	25,382
Tier 2 Police & Fire	15.63%	284,546	44,475	15.70%	287,308	45,107
Total Police & Fire		422,767	68,830		429,188	70,489
Total		\$1,137,660	\$164,658		\$1,219,183	\$177,987
Employer normal cost rate						
General Service			13.40%			13.61%
Police & Fire			16.28%			16.42%
Aggregate (Default)			14.47%			14.60%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,788,317)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.56%)
B. Actual employer payroll	1,028,114
C. Payment to transition liability/(surplus)	(57,163)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.18%)
B. Actual employer payroll	1,059,991
C. Payment to transition liability/(surplus)	(76,107)
4. Supplemental payment to transition liability	0
5. Interest	(128,266)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,783,313)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,783,313)	(1,788,317)
2. Combined valuation payroll	2,116,607	1,980,066
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.87%)	(8.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,116,607	1,980,066
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Talent/2188
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Talent/2188

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Talent/2188

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Talent -- #2188

September 2014

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Executive Summary

Milliman has prepared this report for City of Talent to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Talent.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Talent

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.81%	14.38%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.80%)	(6.80%)	(6.80%)	(6.80%)	(6.80%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.12%	12.69%	13.94%	5.64%	9.75%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.65%	13.22%	14.47%	6.09%	10.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Talent

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$837,105	\$1,046,120
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(803,004)	(827,235)
Allocated pooled OPSRP UAL	78,064	72,014
Side account	0	0
Net unfunded pension actuarial accrued liability	112,165	290,899
Combined valuation payroll	1,104,058	1,021,732
Net pension UAL as a percentage of payroll	10%	28%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.80%)	(7.18%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$15,281	\$21,436
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$207,404	\$31,919	15.80%	\$271,605	\$42,914
Tier 2 General Service	10.57%	54,958	5,809	10.58%	92,282	9,763
Total General Service		262,362	37,728		363,887	52,677
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	135,566	21,189	15.70%	136,804	21,478
Total Police & Fire		135,566	21,189		136,804	21,478
Total		\$397,928	\$58,917		\$500,691	\$74,155
Employer normal cost rate						
General Service			14.38%			14.48%
Police & Fire			15.63%			15.70%
Aggregate (Default)			14.81%			14.81%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$827,235)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.88%)
B. Actual employer payroll	511,979
C. Payment to transition liability/(surplus)	(40,344)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.66%)
B. Actual employer payroll	543,659
C. Payment to transition liability/(surplus)	(41,644)
4. Supplemental payment to transition liability	0
5. Interest	(57,757)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$803,004)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(803,004)	(827,235)
2. Combined valuation payroll	1,104,058	1,021,732
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.80%)	(7.18%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,104,058	1,021,732
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Tigard/2295
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Tigard/2295

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Tigard/2295

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tigard -- #2295

September 2014

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Executive Summary

Milliman has prepared this report for City of Tigard to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tigard.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Tigard

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.44%	13.02%	16.44%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(5.20%)	(5.20%)	(5.20%)	(5.20%)	(5.20%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.54%	11.12%	14.54%	5.43%	9.54%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.07%	11.65%	15.07%	5.88%	9.99%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tigard

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,547,316	\$5,839,026
Allocated pre-SLGRP pooled liability/(surplus)	(1,158,676)	(1,130,009)
Transition liability/(surplus)	(3,335,535)	(3,390,044)
Allocated pooled OPSRP UAL	424,057	401,956
Side account	0	0
Net unfunded pension actuarial accrued liability	477,162	1,720,929
Combined valuation payroll	5,997,456	5,702,903
Net pension UAL as a percentage of payroll	8%	30%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(5.20%)	(5.27%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$83,011	\$119,649
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	1,428,058	251,624	17.89%	1,360,122	243,326
Tier 2 Police & Fire	15.63%	2,100,685	328,337	15.70%	2,161,671	339,382
Total Police & Fire		3,528,743	579,961		3,521,793	582,708
Total		\$3,528,743	\$579,961		\$3,521,793	\$582,708
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.44%			16.55%
Aggregate (Default)			16.44%			16.55%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,390,044)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.14%)
B. Actual employer payroll	2,813,572
C. Payment to transition liability/(surplus)	(144,618)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.02%)
B. Actual employer payroll	2,984,109
C. Payment to transition liability/(surplus)	(149,802)
4. Supplemental payment to transition liability	0
5. Interest	(239,911)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,335,535)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,335,535)	(3,390,044)
2. Combined valuation payroll	5,997,456	5,702,903
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.20%)	(5.27%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	5,997,456	5,702,903
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Tillamook/2128
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Tillamook/2128

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Tillamook/2128

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tillamook -- #2128

September 2014

Secondary Employers

2755 Tillamook Water Commission

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Executive Summary

Milliman has prepared this report for City of Tillamook to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tillamook.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Tillamook

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.29%	12.39%	16.29%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(3.46%)	(3.46%)	(3.46%)	(3.46%)	(3.46%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.94%	14.04%	17.94%	8.98%	13.09%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.47%	14.57%	18.47%	9.43%	13.54%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tillamook

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,385,980	\$1,653,172
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(677,895)	(698,420)
Allocated pooled OPSRP UAL	129,249	113,804
Side account	0	0
Net unfunded pension actuarial accrued liability	837,334	1,068,556
Combined valuation payroll	1,827,969	1,614,632
Net pension UAL as a percentage of payroll	46%	66%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(3.46%)	(3.84%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$25,301	\$33,876
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$323,064	\$49,720	15.80%	\$313,863	\$49,590
Tier 2 General Service	10.57%	532,432	56,278	10.58%	516,483	54,644
Total General Service		855,496	105,998		830,346	104,234
Tier 1 Police & Fire	17.62%	84,799	14,942	17.89%	85,651	15,323
Tier 2 Police & Fire	15.63%	172,156	26,908	15.70%	178,990	28,101
Total Police & Fire		256,955	41,850		264,641	43,424
Total		\$1,112,451	\$147,848		\$1,094,987	\$147,658
Employer normal cost rate						
General Service			12.39%			12.55%
Police & Fire			16.29%			16.41%
Aggregate (Default)			13.29%			13.48%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$698,420)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.00%)
B. Actual employer payroll	831,550
C. Payment to transition liability/(surplus)	(33,262)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.09%)
B. Actual employer payroll	880,710
C. Payment to transition liability/(surplus)	(36,021)
4. Supplemental payment to transition liability	0
5. Interest	(48,758)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$677,895)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(677,895)	(698,420)
2. Combined valuation payroll	1,827,969	1,614,632
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(3.46%)	(3.84%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,827,969	1,614,632
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Toledo/2275
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Toledo/2275

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Toledo/2275

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Toledo -- #2275

September 2014

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Executive Summary

Milliman has prepared this report for City of Toledo to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Toledo.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Toledo

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.50%	13.78%	16.02%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(8.95%)	(8.95%)	(8.95%)	(8.95%)	(8.95%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	8.85%	8.13%	10.37%	1.68%	5.79%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.38%	8.66%	10.90%	2.13%	6.24%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Toledo

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,596,417	\$2,216,459
Allocated pre-SLGRP pooled liability/(surplus)	(406,774)	(428,945)
Transition liability/(surplus)	(2,016,635)	(2,051,223)
Allocated pooled OPSRP UAL	148,873	152,580
Side account	0	0
Net unfunded pension actuarial accrued liability	(678,119)	(111,129)
Combined valuation payroll	2,105,514	2,164,788
Net pension UAL as a percentage of payroll	(32%)	(5%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(8.95%)	(8.41%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$29,143	\$45,418
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$465,381	\$71,622	15.80%	\$486,437	\$76,857
Tier 2 General Service	10.57%	232,987	24,627	10.58%	254,623	26,939
Total General Service		698,368	96,249		741,060	103,796
Tier 1 Police & Fire	17.62%	63,747	11,232	17.89%	63,054	11,280
Tier 2 Police & Fire	15.63%	263,689	41,215	15.70%	247,276	38,822
Total Police & Fire		327,436	52,447		310,330	50,102
Total		\$1,025,804	\$148,696		\$1,051,390	\$153,898
Employer normal cost rate						
General Service			13.78%			14.01%
Police & Fire			16.02%			16.14%
Aggregate (Default)			14.50%			14.64%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,051,223)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.85%)
B. Actual employer payroll	1,074,398
C. Payment to transition liability/(surplus)	(95,084)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.97%)
B. Actual employer payroll	1,060,874
C. Payment to transition liability/(surplus)	(84,552)
4. Supplemental payment to transition liability	0
5. Interest	(145,048)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,016,635)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,016,635)	(2,051,223)
2. Combined valuation payroll	2,105,514	2,164,788
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(8.95%)	(8.41%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,105,514	2,164,788
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Troutdale/2237
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Troutdale/2237

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Troutdale/2237

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Troutdale -- #2237

September 2014

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Executive Summary

Milliman has prepared this report for City of Troutdale to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Troutdale.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Troutdale

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.26%	13.08%	16.33%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.65%	4.65%	4.65%	4.65%	4.65%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.95%)	(5.95%)	(5.95%)	(5.95%)	(5.95%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.57%	12.39%	15.64%	6.64%	10.75%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.10%	12.92%	16.17%	7.09%	11.20%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Troutdale

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,473,470	\$4,508,903
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(2,917,505)	(2,948,996)
Allocated pooled OPSRP UAL	323,916	310,391
Side account	0	0
Net unfunded pension actuarial accrued liability	879,881	1,870,298
Combined valuation payroll	4,581,160	4,403,789
Net pension UAL as a percentage of payroll	19%	42%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.95%)	(5.94%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$63,408	\$92,393
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$946,408	\$145,652	15.80%	\$994,402	\$157,116
Tier 2 General Service	10.57%	871,932	92,163	10.58%	870,322	92,080
Total General Service		1,818,340	237,815		1,864,724	249,196
Tier 1 Police & Fire	17.62%	361,473	63,692	17.89%	350,499	62,704
Tier 2 Police & Fire	15.63%	673,356	105,246	15.70%	653,030	102,526
Total Police & Fire		1,034,829	168,938		1,003,529	165,230
Total		\$2,853,169	\$406,753		\$2,868,253	\$414,426
Employer normal cost rate						
General Service			13.08%			13.36%
Police & Fire			16.33%			16.46%
Aggregate (Default)			14.26%			14.45%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,948,996)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.25%)
B. Actual employer payroll	2,066,867
C. Payment to transition liability/(surplus)	(108,511)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.83%)
B. Actual employer payroll	2,278,298
C. Payment to transition liability/(surplus)	(132,824)
4. Supplemental payment to transition liability	0
5. Interest	(209,844)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$2,917,505)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,917,505)	(2,948,996)
2. Combined valuation payroll	4,581,160	4,403,789
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.95%)	(5.94%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,581,160	4,403,789
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Tualatin/2288
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Tualatin/2288

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Tualatin/2288

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Tualatin -- #2288

September 2014

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Executive Summary

Milliman has prepared this report for City of Tualatin to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Tualatin.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Tualatin

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.06%	12.20%	16.64%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	1.42%	1.42%	1.42%	1.42%	1.42%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.78%	16.92%	21.36%	12.05%	16.16%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	19.31%	17.45%	21.89%	12.50%	16.61%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Tualatin

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$7,747,349	\$10,451,396
Allocated pre-SLGRP pooled liability/(surplus)	(1,974,059)	(2,022,628)
Transition liability/(surplus)	1,549,765	1,583,710
Allocated pooled OPSRP UAL	722,473	719,470
Side account	0	0
Net unfunded pension actuarial accrued liability	8,045,528	10,731,948
Combined valuation payroll	10,217,980	10,207,747
Net pension UAL as a percentage of payroll	79%	105%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	1.42%	1.38%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$141,428	\$214,163
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$923,508	\$142,128	15.80%	\$1,113,551	\$175,941
Tier 2 General Service	10.57%	1,815,729	191,923	10.58%	2,008,790	212,530
Total General Service		2,739,237	334,051		3,122,341	388,471
Tier 1 Police & Fire	17.62%	1,009,277	177,835	17.89%	1,184,952	211,988
Tier 2 Police & Fire	15.63%	976,028	152,553	15.70%	1,011,980	158,881
Total Police & Fire		1,985,305	330,388		2,196,932	370,869
Total		\$4,724,542	\$664,439		\$5,319,273	\$759,340
Employer normal cost rate						
General Service			12.20%			12.44%
Police & Fire			16.64%			16.88%
Aggregate (Default)			14.06%			14.28%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$1,583,710
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	1.48%
B. Actual employer payroll	4,811,916
C. Payment to transition liability/(surplus)	71,216
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	1.49%
B. Actual employer payroll	4,979,694
C. Payment to transition liability/(surplus)	74,197
4. Supplemental payment to transition liability	0
5. Interest	111,468
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$1,549,765

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	1,549,765	1,583,710
2. Combined valuation payroll	10,217,980	10,207,747
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.42%	1.38%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	10,217,980	10,207,747
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Turner/2228
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Turner/2228

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Turner/2228

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Turner -- #2228

September 2014

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Executive Summary

Milliman has prepared this report for City of Turner to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Turner.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Turner

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.60%	10.57%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(0.77%)	(0.77%)	(0.77%)	(0.77%)	(0.77%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.94%	14.91%	19.97%	11.67%	15.78%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.47%	15.44%	20.50%	12.12%	16.23%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Turner

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$233,873	\$335,725
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(25,418)	(25,386)
Allocated pooled OPSRP UAL	21,810	23,111
Side account	0	0
Net unfunded pension actuarial accrued liability	230,265	333,450
Combined valuation payroll	308,455	327,898
Net pension UAL as a percentage of payroll	75%	102%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.77%)	(0.69%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,269	\$6,879
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	136,498	14,428	10.58%	131,645	13,928
Total General Service		136,498	14,428		131,645	13,928
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	91,146	14,246	15.70%	61,458	9,649
Total Police & Fire		91,146	14,246		61,458	9,649
Total		\$227,644	\$28,674		\$193,103	\$23,577
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			15.63%			15.70%
Aggregate (Default)			12.60%			12.21%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$25,386)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.46%)
B. Actual employer payroll	156,286
C. Payment to transition liability/(surplus)	(719)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.66%)
B. Actual employer payroll	163,228
C. Payment to transition liability/(surplus)	(1,077)
4. Supplemental payment to transition liability	0
5. Interest	(1,828)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$25,418)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(25,418)	(25,386)
2. Combined valuation payroll	308,455	327,898
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.77%)	(0.69%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	308,455	327,898
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Umatilla/2175
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Umatilla/2175

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Umatilla/2175

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Umatilla -- #2175

September 2014

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Executive Summary

Milliman has prepared this report for City of Umatilla to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Umatilla.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Umatilla

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.61%	12.14%	16.92%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(8.75%)	(8.75%)	(8.75%)	(8.75%)	(8.75%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	8.16%	6.69%	11.47%	1.88%	5.99%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	8.69%	7.22%	12.00%	2.33%	6.44%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Umatilla

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,297,899	\$1,576,745
Allocated pre-SLGRP pooled liability/(surplus)	(330,710)	(305,143)
Transition liability/(surplus)	(1,602,447)	(1,640,985)
Allocated pooled OPSRP UAL	121,035	108,543
Side account	0	0
Net unfunded pension actuarial accrued liability	(514,223)	(260,840)
Combined valuation payroll	1,711,799	1,539,987
Net pension UAL as a percentage of payroll	(30%)	(17%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(8.75%)	(9.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$23,693	\$32,310
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$162,513	\$25,011	15.80%	\$146,565	\$23,157
Tier 2 General Service	10.57%	336,292	35,546	10.58%	356,857	37,755
Total General Service		498,805	60,557		503,422	60,912
Tier 1 Police & Fire	17.62%	143,256	25,242	17.89%	139,519	24,960
Tier 2 Police & Fire	15.63%	77,839	12,166	15.70%	83,299	13,078
Total Police & Fire		221,095	37,408		222,818	38,038
Total		\$719,900	\$97,965		\$726,240	\$98,950
Employer normal cost rate						
General Service			12.14%			12.10%
Police & Fire			16.92%			17.07%
Aggregate (Default)			13.61%			13.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,640,985)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(9.66%)
B. Actual employer payroll	775,252
C. Payment to transition liability/(surplus)	(74,889)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(9.42%)
B. Actual employer payroll	837,637
C. Payment to transition liability/(surplus)	(78,906)
4. Supplemental payment to transition liability	0
5. Interest	(115,257)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$1,602,447)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,602,447)	(1,640,985)
2. Combined valuation payroll	1,711,799	1,539,987
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(8.75%)	(9.45%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,711,799	1,539,987
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
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September 2014

City of Vale/2145
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Vale/2145

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Vale/2145

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Vale -- #2145

September 2014

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Executive Summary

Milliman has prepared this report for City of Vale to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Vale.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Vale

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.40%	13.37%	15.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	7.24%	7.24%	7.24%	7.24%	7.24%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	23.94%	23.91%	26.16%	17.87%	21.98%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	24.47%	24.44%	26.69%	18.32%	22.43%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Vale

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$273,630	\$373,209
Allocated pre-SLGRP pooled liability/(surplus)	(69,722)	(72,226)
Transition liability/(surplus)	279,785	282,234
Allocated pooled OPSRP UAL	25,517	25,692
Side account	0	0
Net unfunded pension actuarial accrued liability	509,210	608,909
Combined valuation payroll	360,891	364,509
Net pension UAL as a percentage of payroll	141%	167%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	7.24%	6.87%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,995	\$7,648
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$130,440	\$20,075	15.80%	\$134,201	\$21,204
Tier 2 General Service	10.57%	93,742	9,909	10.58%	89,788	9,500
Total General Service		224,182	29,984		223,989	30,704
Tier 1 Police & Fire	17.62%	0	0	17.89%	111	20
Tier 2 Police & Fire	15.63%	2,894	452	15.70%	2,761	433
Total Police & Fire		2,894	452		2,872	453
Total		\$227,076	\$30,436		\$226,861	\$31,157
Employer normal cost rate						
General Service			13.37%			13.71%
Police & Fire			15.62%			15.77%
Aggregate (Default)			13.40%			13.73%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$282,234
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	5.91%
B. Actual employer payroll	173,877
C. Payment to transition liability/(surplus)	10,276
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	6.75%
B. Actual employer payroll	182,175
C. Payment to transition liability/(surplus)	12,297
4. Supplemental payment to transition liability	0
5. Interest	20,124
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$279,785

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	279,785	282,234
2. Combined valuation payroll	360,891	364,509
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	7.24%	6.87%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	360,891	364,509
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Veneta/2285
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Veneta/2285

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Veneta/2285

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Veneta -- #2285

September 2014

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Executive Summary

Milliman has prepared this report for City of Veneta to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Veneta.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Veneta

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.78%	13.78%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(2.55%)	(2.55%)	(2.55%)	(2.55%)	(2.55%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.53%	14.53%	17.26%	8.08%	12.19%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.06%	15.06%	17.79%	8.53%	12.64%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Veneta

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$643,157	\$739,720
Allocated pre-SLGRP pooled liability/(surplus)	(163,879)	(143,156)
Transition liability/(surplus)	(231,686)	(236,533)
Allocated pooled OPSRP UAL	59,977	50,922
Side account	0	0
Net unfunded pension actuarial accrued liability	307,569	410,953
Combined valuation payroll	848,260	722,475
Net pension UAL as a percentage of payroll	36%	57%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(2.55%)	(2.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$11,741	\$15,158
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$300,195	\$46,200	15.80%	\$284,354	\$44,928
Tier 2 General Service	10.57%	150,003	15,855	10.58%	140,654	14,881
Total General Service		450,198	62,055		425,008	59,809
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$450,198	\$62,055		\$425,008	\$59,809
Employer normal cost rate						
General Service			13.78%			14.07%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.78%			14.07%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$236,533)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(2.65%)
B. Actual employer payroll	360,789
C. Payment to transition liability/(surplus)	(9,561)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.95%)
B. Actual employer payroll	405,071
C. Payment to transition liability/(surplus)	(11,950)
4. Supplemental payment to transition liability	0
5. Interest	(16,664)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$231,686)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(231,686)	(236,533)
2. Combined valuation payroll	848,260	722,475
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.55%)	(2.90%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	848,260	722,475
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

City of Vernonia/2125
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Vernonia/2125

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Vernonia/2125

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Vernonia -- #2125

September 2014

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Executive Summary

Milliman has prepared this report for City of Vernonia to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Vernonia.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Vernonia

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.49%	12.49%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(6.50%)	(6.50%)	(6.50%)	(6.50%)	(6.50%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.29%	9.29%	13.31%	4.13%	8.24%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.82%	9.82%	13.84%	4.58%	8.69%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Vernonia

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$416,273	\$694,892
Allocated pre-SLGRP pooled liability/(surplus)	(106,068)	(134,480)
Transition liability/(surplus)	(381,700)	(398,610)
Allocated pooled OPSRP UAL	38,819	47,836
Side account	0	0
Net unfunded pension actuarial accrued liability	(32,676)	209,638
Combined valuation payroll	549,023	678,692
Net pension UAL as a percentage of payroll	(6%)	31%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(6.50%)	(5.21%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,599	\$14,239
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$67,103	\$10,327	15.80%	\$65,483	\$10,346
Tier 2 General Service	10.57%	100,957	10,671	10.58%	207,492	21,953
Total General Service		168,060	20,998		272,975	32,299
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$168,060	\$20,998		\$272,975	\$32,299
Employer normal cost rate						
General Service			12.49%			11.83%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.49%			11.83%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$398,610)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.68%)
B. Actual employer payroll	331,578
C. Payment to transition liability/(surplus)	(25,465)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.01%)
B. Actual employer payroll	314,439
C. Payment to transition liability/(surplus)	(18,899)
4. Supplemental payment to transition liability	0
5. Interest	(27,454)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$381,700)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(381,700)	(398,610)
2. Combined valuation payroll	549,023	678,692
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.50%)	(5.21%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	549,023	678,692
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Wallowa/2200
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Wallowa/2200

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Wallowa/2200

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wallowa -- #2200

September 2014

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Executive Summary

Milliman has prepared this report for City of Wallowa to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wallowa.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Wallowa

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	11.50%	11.50%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(5.61%)	(5.61%)	(5.61%)	(5.61%)	(5.61%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.19%	9.19%	14.20%	5.02%	9.13%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.72%	9.72%	14.73%	5.47%	9.58%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wallowa

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$114,447	\$138,301
Allocated pre-SLGRP pooled liability/(surplus)	(29,162)	(26,765)
Transition liability/(surplus)	(90,683)	(97,161)
Allocated pooled OPSRP UAL	10,673	9,521
Side account	0	0
Net unfunded pension actuarial accrued liability	5,275	23,896
Combined valuation payroll	150,944	135,077
Net pension UAL as a percentage of payroll	3%	18%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(5.61%)	(6.38%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,089	\$2,834
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$11,081	\$1,705	15.80%	\$9,732	\$1,538
Tier 2 General Service	10.57%	46,400	4,904	10.58%	41,119	4,350
Total General Service		57,481	6,609		50,851	5,888
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$57,481	\$6,609		\$50,851	\$5,888
Employer normal cost rate						
General Service			11.50%			11.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			11.50%			11.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$97,161)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(12.94%)
B. Actual employer payroll	68,999
C. Payment to transition liability/(surplus)	(7,920)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.84%)
B. Actual employer payroll	74,272
C. Payment to transition liability/(surplus)	(5,080)
4. Supplemental payment to transition liability	0
5. Interest	(6,522)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$90,683)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(90,683)	(97,161)
2. Combined valuation payroll	150,944	135,077
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.61%)	(6.38%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	150,944	135,077
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Warrenton/2238
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Warrenton/2238

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Warrenton/2238

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Warrenton -- #2238

September 2014

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Executive Summary

Milliman has prepared this report for City of Warrenton to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Warrenton.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Warrenton

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.45%	13.14%	16.42%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.53%)	(2.53%)	(2.53%)	(2.53%)	(2.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.03%	15.72%	19.00%	9.91%	14.02%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.56%	16.25%	19.53%	10.36%	14.47%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Warrenton

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,821,162	\$2,159,329
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(649,455)	(670,888)
Allocated pooled OPSRP UAL	169,831	148,647
Side account	0	0
Net unfunded pension actuarial accrued liability	1,341,538	1,637,088
Combined valuation payroll	2,401,931	2,108,990
Net pension UAL as a percentage of payroll	56%	78%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.53%)	(2.82%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$33,245	\$44,248
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$392,206	\$60,361	15.80%	\$414,719	\$65,526
Tier 2 General Service	10.57%	344,569	36,421	10.58%	336,183	35,568
Total General Service		736,775	96,782		750,902	101,094
Tier 1 Police & Fire	17.62%	195,383	34,426	17.89%	131,034	23,442
Tier 2 Police & Fire	15.63%	299,225	46,769	15.70%	298,653	46,889
Total Police & Fire		494,608	81,195		429,687	70,331
Total		\$1,231,383	\$177,977		\$1,180,589	\$171,425
Employer normal cost rate						
General Service			13.14%			13.46%
Police & Fire			16.42%			16.37%
Aggregate (Default)			14.45%			14.52%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$670,888)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.06%)
B. Actual employer payroll	1,080,941
C. Payment to transition liability/(surplus)	(33,077)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.94%)
B. Actual employer payroll	1,192,858
C. Payment to transition liability/(surplus)	(35,069)
4. Supplemental payment to transition liability	0
5. Interest	(46,713)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$649,455)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(649,455)	(670,888)
2. Combined valuation payroll	2,401,931	2,108,990
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.53%)	(2.82%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,401,931	2,108,990
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of West Linn/2126
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of West Linn/2126

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of West Linn/2126

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of West Linn -- #2126

September 2014

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Executive Summary

Milliman has prepared this report for City of West Linn to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of West Linn.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of West Linn

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.28%	12.82%	16.77%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.28%)	(4.28%)	(4.28%)	(4.28%)	(4.28%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.11%	13.65%	17.60%	8.16%	12.27%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.64%	14.18%	18.13%	8.61%	12.72%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of West Linn

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,027,043	\$9,134,504
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,643,770)	(3,688,704)
Allocated pooled OPSRP UAL	562,047	628,816
Side account	0	0
Net unfunded pension actuarial accrued liability	2,945,320	6,074,616
Combined valuation payroll	7,949,068	8,921,556
Net pension UAL as a percentage of payroll	37%	68%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.28%)	(3.67%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$110,024	\$187,178
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,218,882	\$187,586	15.80%	\$1,864,294	\$294,558
Tier 2 General Service	10.57%	1,391,993	147,134	10.58%	1,537,334	162,650
Total General Service		2,610,875	334,720		3,401,628	457,208
Tier 1 Police & Fire	17.62%	876,588	154,455	17.89%	847,362	151,593
Tier 2 Police & Fire	15.63%	658,776	102,967	15.70%	805,260	126,426
Total Police & Fire		1,535,364	257,422		1,652,622	278,019
Total		\$4,146,239	\$592,142		\$5,054,250	\$735,227
Employer normal cost rate						
General Service			12.82%			13.44%
Police & Fire			16.77%			16.82%
Aggregate (Default)			14.28%			14.55%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,688,704)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.79%)
B. Actual employer payroll	4,167,159
C. Payment to transition liability/(surplus)	(157,935)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.85%)
B. Actual employer payroll	3,872,208
C. Payment to transition liability/(surplus)	(149,080)
4. Supplemental payment to transition liability	0
5. Interest	(262,081)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,643,770)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,643,770)	(3,688,704)
2. Combined valuation payroll	7,949,068	8,921,556
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.28%)	(3.67%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	7,949,068	8,921,556
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Westfir/2265
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

As of January 1, 2014, you joined the State & Local Government Rate Pool (SLGRP). This report shows the calculations related to joining the SLGRP and reflects that transition in the results

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- The development of your transition liability or surplus upon joining the SLGRP,
- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
City of Westfir/2265

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Westfir/2265

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Westfir -- #2265

September 2014

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Executive Summary

Milliman has prepared this report for City of Westfir to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Westfir.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Westfir

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.62%)	(10.62%)	(10.62%)	(10.62%)	(10.62%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	8.15%	7.51%	11.00%	1.82%	5.93%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	8.68%	8.04%	11.53%	2.27%	6.38%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Westfir

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL ¹	\$36,697	(\$21,899)
Allocated pre-SLGRP pooled liability/(surplus)	0	N/A
Transition liability/(surplus)	(66,104)	N/A
Allocated pooled OPSRP UAL	3,423	4,445
Side account	0	0
Net unfunded pension actuarial accrued liability	(25,984)	(17,454)
Combined valuation payroll	48,406	63,072
Net pension UAL as a percentage of payroll	(54%)	(28%)
Pre-SLGRP pooled rate	0.00%	N/A
Transition rate	(10.62%)	N/A
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$670	\$1,323
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

¹ The UAL shown as of December 31, 2012 is the UAL as an independent employer, not as a member of the SLGRP.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Joining the SLGRP

As of December 31, 2013, City of Westfir was an independent employer, but joined the SLGRP effective January 1, 2014. Since the contribution rate effective July 1, 2015 is based on the SLGRP's contribution rate adjusted for any transition liability or surplus, this report shows the valuation results for the SLGRP. However, this section of the report summarizes your experience as an independent employer through December 31, 2013 and the calculation of the transition liability or surplus effective January 1, 2014 when you joined the SLGRP.

Funded Status and UAL as an Independent Employer

Tier 1/Tier 2 Pension	December 31, 2013	December 31, 2012
1. Actuarial accrued liability	\$74,912	\$76,112
2. Actuarial value of assets	104,319	98,011
3. Unfunded accrued liability (1. – 2.)	(29,407)	(21,899)
4. Funded percentage (2. ÷ 1.)	139%	129%
5. Combined valuation payroll	\$48,406	\$63,072
6. Unfunded accrued liability as % of combined valuation payroll (3. ÷ 5.)	(61%)	(35%)

Joining the SLGRP

Actuarial Gain or Loss since Prior Valuation

The system-wide report contains a detailed analysis of gains and losses since the last valuation. The table below shows the gain or loss for the individual employer.

1. Expected actuarial accrued liability	
a. Actuarial accrued liability at December 31, 2012	\$76,112
b. Normal cost at December 31, 2012	0
c. Benefit payments during 2013	(6,702)
d. Interest at 7.75% to December 31, 2013	5,639
e. Expected actuarial accrued liability before changes (a. + b. + c. + d.)	75,049
f. Change in actuarial accrued liability due to assumption, method, and plan changes	0
g. Expected actuarial accrued liability at December 31, 2013 (e. + f.)	75,049
2. Actuarial accrued liability at December 31, 2013	74,912
3. Gain/(loss) on actuarial accrued liability (1.g. - 2.)	137
4. Expected actuarial value of assets	
a. Actuarial value of assets at December 31, 2012	98,011
b. Contributions for 2013 ¹	(2,669)
c. Benefit payments and expenses during 2013	(6,755)
d. Interest at 7.75% to December 31, 2013	7,231
e. Expected actuarial value of assets at December 31, 2013 (a. + b. + c. + d.)	95,817
5. Actuarial value of assets at December 31, 2013	104,319
6. Gain/(loss) on actuarial value of assets (5. - 4.e.)	8,501
7. Total actuarial gain/(loss) (3. + 6.)	\$8,638

¹ Includes rate relief from side accounts.

Joining the SLGRP

Calculation of Transition Liability

An employer’s UAL at the date it joins the SLGRP is allocated between the SLGRP and an employer-specific transition liability or surplus. This allocation ensures that the SLGRP UAL rate developed at the merger date is not affected positively or negatively by merging employers. The transition liability or surplus can be thought of as a rate-pooling mechanism that ensures each employer in the SLGRP is on a comparable basis. Each rate-setting valuation develops a rate charge or offset to amortize the transition liability or surplus initially calculated at the time of SLGRP entry over a set time period as a level percent of projected payroll.

The table below shows the calculation of the transition liability or surplus as of the January 1, 2014 SLGRP merger date.

Tier 1/Tier 2 Pension	SLGRP Prior to New Employers	City of Westfir
1. UAL prior to joining the SLGRP	\$3,873,063,726	(\$29,407)
2. Combined valuation payroll	\$5,108,846,962	\$48,406
3. UAL as a percentage of payroll (1. ÷ 2.)	75.81%	
4. UAL allocated to SLGRP (2. × 3.)		\$36,697
5. UAL allocated to transition liability (1. - 4.)		(\$66,104)
6. UAL after joining SLGRP (4. + 5.)		(\$29,407)

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate at December 31, 2013

	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0
Tier 2 General Service	10.57%	0	0
Total General Service		0	0
Tier 1 Police & Fire	17.62%	0	0
Tier 2 Police & Fire	15.63%	0	0
Total Police & Fire		0	0
Total		\$0	\$0
Employer normal cost rate			
General Service			13.02%
Police & Fire			16.51%
Aggregate (Default)			13.66%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Development of Transition Liability or Surplus Rate

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below develops the contribution rate for the transition liability or surplus.

	December 31, 2013
1. Total transition liability/(surplus)	(66,104)
2. Combined valuation payroll	48,406
3. Regular amortization factor	12.856
4. Total transition liability/(surplus) rate	(10.62%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	48,406	63,072
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

City of Wheeler/2147
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

September 2014
City of Wheeler/2147

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Wheeler/2147

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wheeler -- #2147

September 2014

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Executive Summary

Milliman has prepared this report for City of Wheeler to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wheeler.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Wheeler

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(0.43%)	(0.43%)	(0.43%)	(0.43%)	(0.43%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.34%	17.70%	21.19%	12.01%	16.12%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.87%	18.23%	21.72%	12.46%	16.57%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wheeler

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$98,067	\$129,382
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(6,017)	(12,877)
Allocated pooled OPSRP UAL	9,145	8,907
Side account	0	0
Net unfunded pension actuarial accrued liability	101,195	125,412
Combined valuation payroll	129,340	126,366
Net pension UAL as a percentage of payroll	78%	99%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(0.43%)	(0.90%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,790	\$2,651
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$12,877)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.51%)
B. Actual employer payroll	63,964
C. Payment to transition liability/(surplus)	(4,804)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(4.35%)
B. Actual employer payroll	57,229
C. Payment to transition liability/(surplus)	(2,489)
4. Supplemental payment to transition liability	0
5. Interest	(433)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$6,017)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(6,017)	(12,877)
2. Combined valuation payroll	129,340	126,366
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.43%)	(0.90%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	129,340	126,366
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Wilsonville/2240
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Wilsonville/2240

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Wilsonville/2240

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wilsonville -- #2240

September 2014

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Executive Summary

Milliman has prepared this report for City of Wilsonville to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wilsonville.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Wilsonville

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.29%	13.29%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.53%)	(0.53%)	(0.53%)	(0.53%)	(0.53%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.06%	16.06%	19.28%	10.10%	14.21%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.59%	16.59%	19.81%	10.55%	14.66%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wilsonville

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,795,346	\$8,345,717
Allocated pre-SLGRP pooled liability/(surplus)	(1,731,485)	(1,615,122)
Transition liability/(surplus)	(512,703)	(522,799)
Allocated pooled OPSRP UAL	633,695	574,516
Side account	0	0
Net unfunded pension actuarial accrued liability	5,184,853	6,782,312
Combined valuation payroll	8,962,383	8,151,157
Net pension UAL as a percentage of payroll	58%	83%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.53%)	(0.57%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$124,049	\$171,015
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$2,969,419	\$456,994	15.80%	\$2,769,946	\$437,651
Tier 2 General Service	10.57%	2,295,772	242,663	10.58%	2,338,420	247,405
Total General Service		5,265,191	699,657		5,108,366	685,056
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$5,265,191	\$699,657		\$5,108,366	\$685,056
Employer normal cost rate						
General Service			13.29%			13.41%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.29%			13.41%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$522,799)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.56%)
B. Actual employer payroll	4,138,049
C. Payment to transition liability/(surplus)	(23,173)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.55%)
B. Actual employer payroll	4,327,218
C. Payment to transition liability/(surplus)	(23,800)
4. Supplemental payment to transition liability	0
5. Interest	(36,877)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$512,703)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(512,703)	(522,799)
2. Combined valuation payroll	8,962,383	8,151,157
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.53%)	(0.57%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	8,962,383	8,151,157
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Winston/2280
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Winston/2280

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Winston/2280

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Winston -- #2280

September 2014

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Executive Summary

Milliman has prepared this report for City of Winston to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Winston.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Winston

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.22%	13.25%	16.61%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(8.31%)	(8.31%)	(8.31%)	(8.31%)	(8.31%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	10.21%	8.24%	11.60%	2.32%	6.43%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.74%	8.77%	12.13%	2.77%	6.88%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Winston

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$1,002,638	\$1,287,057
Allocated pre-SLGRP pooled liability/(surplus)	(255,477)	(249,080)
Transition liability/(surplus)	(1,176,785)	(1,202,445)
Allocated pooled OPSRP UAL	93,500	88,600
Side account	0	0
Net unfunded pension actuarial accrued liability	(336,124)	(75,868)
Combined valuation payroll	1,322,380	1,257,052
Net pension UAL as a percentage of payroll	(25%)	(6%)
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(8.31%)	(8.49%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$18,303	\$26,373
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$122,009	\$18,777	15.80%	\$121,770	\$19,240
Tier 2 General Service	10.57%	97,558	10,312	10.58%	96,232	10,181
Total General Service		219,567	29,089		218,002	29,421
Tier 1 Police & Fire	17.62%	152,819	26,927	17.89%	152,757	27,328
Tier 2 Police & Fire	15.63%	157,448	24,609	15.70%	151,052	23,715
Total Police & Fire		310,267	51,536		303,809	51,043
Total		\$529,834	\$80,625		\$521,811	\$80,464
Employer normal cost rate						
General Service			13.25%			13.50%
Police & Fire			16.61%			16.80%
Aggregate (Default)			15.22%			15.42%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,202,445)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(8.81%)
B. Actual employer payroll	623,191
C. Payment to transition liability/(surplus)	(54,903)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(8.63%)
B. Actual employer payroll	641,930
C. Payment to transition liability/(surplus)	(55,398)
4. Supplemental payment to transition liability	0
5. Interest	(84,641)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,176,785)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,176,785)	(1,202,445)
2. Combined valuation payroll	1,322,380	1,257,052
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(8.31%)	(8.49%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,322,380	1,257,052
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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111 SW Fifth Avenue, Suite 3700
Portland, OR 97204-3654
503 227 0634

September 2014

City of Wood Village/2185
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
City of Wood Village/2185

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Wood Village/2185

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Wood Village -- #2185

September 2014

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Executive Summary

Milliman has prepared this report for City of Wood Village to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Wood Village.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Wood Village

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.33%	13.33%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.65%	4.65%	4.65%	4.65%	4.65%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.90%)	(1.90%)	(1.90%)	(1.90%)	(1.90%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.88%	14.88%	18.06%	8.88%	12.99%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.41%	15.41%	18.59%	9.33%	13.44%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Wood Village

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$598,555	\$853,225
Allocated pre-SLGRP pooled liability/(surplus)	(152,514)	(165,122)
Transition liability/(surplus)	(160,363)	(161,248)
Allocated pooled OPSRP UAL	55,818	58,736
Side account	0	0
Net unfunded pension actuarial accrued liability	341,496	585,591
Combined valuation payroll	789,434	833,334
Net pension UAL as a percentage of payroll	43%	70%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.90%)	(1.72%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$10,927	\$17,484
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$203,384	\$31,301	15.80%	\$197,284	\$31,171
Tier 2 General Service	10.57%	152,399	16,109	10.58%	260,245	27,534
Total General Service		355,783	47,410		457,529	58,705
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$355,783	\$47,410		\$457,529	\$58,705
Employer normal cost rate						
General Service			13.33%			12.83%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.33%			12.83%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$161,248)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.36%)
B. Actual employer payroll	385,733
C. Payment to transition liability/(surplus)	(5,246)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.67%)
B. Actual employer payroll	429,549
C. Payment to transition liability/(surplus)	(7,173)
4. Supplemental payment to transition liability	0
5. Interest	(11,534)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$160,363)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(160,363)	(161,248)
2. Combined valuation payroll	789,434	833,334
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.90%)	(1.72%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	789,434	833,334
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

City of Woodburn/2303
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Woodburn/2303

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Woodburn/2303

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Woodburn -- #2303

September 2014

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Executive Summary

Milliman has prepared this report for City of Woodburn to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Woodburn.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Woodburn

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.30%	13.05%	16.49%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.84%)	(1.84%)	(1.84%)	(1.84%)	(1.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.76%	14.51%	17.95%	8.79%	12.90%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.29%	15.04%	18.48%	9.24%	13.35%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Woodburn

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,615,715	\$8,478,608
Allocated pre-SLGRP pooled liability/(surplus)	(1,685,714)	(1,640,840)
Transition liability/(surplus)	(1,716,324)	(1,743,319)
Allocated pooled OPSRP UAL	616,944	583,664
Side account	0	0
Net unfunded pension actuarial accrued liability	3,830,621	5,678,113
Combined valuation payroll	8,725,467	8,280,950
Net pension UAL as a percentage of payroll	44%	69%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.84%)	(1.87%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$120,770	\$173,738
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,622,896	\$249,764	15.80%	\$1,654,672	\$261,438
Tier 2 General Service	10.57%	1,525,796	161,277	10.58%	1,617,373	171,118
Total General Service		3,148,692	411,041		3,272,045	432,556
Tier 1 Police & Fire	17.62%	769,952	135,666	17.89%	691,462	123,703
Tier 2 Police & Fire	15.63%	1,012,452	158,246	15.70%	1,028,336	161,449
Total Police & Fire		1,782,404	293,912		1,719,798	285,152
Total		\$4,931,096	\$704,953		\$4,991,843	\$717,708
Employer normal cost rate						
General Service			13.05%			13.22%
Police & Fire			16.49%			16.58%
Aggregate (Default)			14.30%			14.38%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,743,319)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.76%)
B. Actual employer payroll	4,172,778
C. Payment to transition liability/(surplus)	(73,441)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.73%)
B. Actual employer payroll	4,450,987
C. Payment to transition liability/(surplus)	(77,002)
4. Supplemental payment to transition liability	0
5. Interest	(123,448)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,716,324)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,716,324)	(1,743,319)
2. Combined valuation payroll	8,725,467	8,280,950
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.84%)	(1.87%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	8,725,467	8,280,950
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

City of Yachats/2300
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Yachats/2300

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Yachats/2300

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yachats -- #2300

September 2014

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Executive Summary

Milliman has prepared this report for City of Yachats to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yachats.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Yachats

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.55%	13.55%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.33%)	(5.33%)	(5.33%)	(5.33%)	(5.33%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.33%	13.33%	16.29%	7.11%	11.22%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.86%	13.86%	16.82%	7.56%	11.67%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yachats

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$404,624	\$554,224
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(304,393)	(309,358)
Allocated pooled OPSRP UAL	37,733	38,153
Side account	0	0
Net unfunded pension actuarial accrued liability	137,964	283,019
Combined valuation payroll	533,658	541,304
Net pension UAL as a percentage of payroll	26%	52%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.33%)	(5.07%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$7,386	\$11,357
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$147,486	\$22,698	15.80%	\$132,555	\$20,944
Tier 2 General Service	10.57%	90,675	9,584	10.58%	183,099	19,372
Total General Service		238,161	32,282		315,654	40,316
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$238,161	\$32,282		\$315,654	\$40,316
Employer normal cost rate						
General Service			13.55%			12.77%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.55%			12.77%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$309,358)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.45%)
B. Actual employer payroll	242,809
C. Payment to transition liability/(surplus)	(13,233)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(5.49%)
B. Actual employer payroll	248,207
C. Payment to transition liability/(surplus)	(13,626)
4. Supplemental payment to transition liability	0
5. Interest	(21,894)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$304,393)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(304,393)	(309,358)
2. Combined valuation payroll	533,658	541,304
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.33%)	(5.07%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	533,658	541,304
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Yamhill/2214
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
City of Yamhill/2214

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Yamhill/2214

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yamhill -- #2214

September 2014

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Executive Summary

Milliman has prepared this report for City of Yamhill to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yamhill.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Yamhill

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.29%	11.89%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.25%)	(7.25%)	(7.25%)	(7.25%)	(7.25%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.15%	9.75%	13.49%	5.19%	9.30%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.68%	10.28%	14.02%	5.64%	9.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yamhill

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$242,225	\$402,478
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(247,736)	(257,374)
Allocated pooled OPSRP UAL	22,588	27,706
Side account	0	0
Net unfunded pension actuarial accrued liability	17,077	172,810
Combined valuation payroll	319,470	393,095
Net pension UAL as a percentage of payroll	5%	44%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.25%)	(5.81%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,422	\$8,247
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$41,227	\$6,345	15.80%	\$40,735	\$6,436
Tier 2 General Service	10.57%	109,713	11,597	10.58%	100,885	10,674
Total General Service		150,940	17,942		141,620	17,110
Tier 1 Police & Fire	17.62%	0	0	17.89%	57,413	10,271
Tier 2 Police & Fire	15.63%	90,377	14,126	15.70%	84,832	13,319
Total Police & Fire		90,377	14,126		142,245	23,590
Total		\$241,317	\$32,068		\$283,865	\$40,700
Employer normal cost rate						
General Service			11.89%			12.08%
Police & Fire			15.63%			16.58%
Aggregate (Default)			13.29%			14.34%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$257,374)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.45%)
B. Actual employer payroll	194,428
C. Payment to transition liability/(surplus)	(14,485)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.67%)
B. Actual employer payroll	194,496
C. Payment to transition liability/(surplus)	(12,972)
4. Supplemental payment to transition liability	0
5. Interest	(17,819)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$247,736)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(247,736)	(257,374)
2. Combined valuation payroll	319,470	393,095
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.25%)	(5.81%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	319,470	393,095
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

City of Yoncalla/2307
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
City of Yoncalla/2307

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
City of Yoncalla/2307

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

City of Yoncalla -- #2307

September 2014

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Executive Summary

Milliman has prepared this report for City of Yoncalla to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to City of Yoncalla.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for City of Yoncalla

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.38%)	(0.38%)	(0.38%)	(0.38%)	(0.38%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.49%	13.49%	19.43%	10.25%	14.36%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.02%	14.02%	19.96%	10.70%	14.81%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

City of Yoncalla

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$124,868	\$138,432
Allocated pre-SLGRP pooled liability/(surplus)	(31,817)	(26,790)
Transition liability/(surplus)	(6,684)	(6,800)
Allocated pooled OPSRP UAL	11,645	9,530
Side account	0	0
Net unfunded pension actuarial accrued liability	98,012	114,372
Combined valuation payroll	164,689	135,205
Net pension UAL as a percentage of payroll	60%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.38%)	(0.45%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,279	\$2,837
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	87,109	9,207	10.58%	69,425	7,345
Total General Service		87,109	9,207		69,425	7,345
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$87,109	\$9,207		\$69,425	\$7,345
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$6,800)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.33%)
B. Actual employer payroll	72,173
C. Payment to transition liability/(surplus)	(238)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.37%)
B. Actual employer payroll	96,807
C. Payment to transition liability/(surplus)	(359)
4. Supplemental payment to transition liability	0
5. Interest	(481)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$6,684)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(6,684)	(6,800)
2. Combined valuation payroll	164,689	135,205
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.38%)	(0.45%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	164,689	135,205
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

Clackamas Community College/2908
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clackamas Community College/2908

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clackamas Community College/2908

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas Community College -- #2908

September 2014

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Executive Summary

Milliman has prepared this report for Clackamas Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clackamas Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(10.13%)	(10.13%)	(10.13%)	(10.13%)	(10.13%)
Net pension contribution rate	9.63%	9.63%	13.34%	4.16%	8.27%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.16%	10.16%	13.87%	4.61%	8.72%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$18,691,075	\$26,855,629
Allocated pre-SLGRP pooled liability/(surplus)	4,877,600	5,468,611
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,743,023	1,848,731
Side account	26,736,438	24,645,203
Net unfunded pension actuarial accrued liability	(1,424,740)	9,527,768
Combined valuation payroll	24,651,662	26,229,556
Net pension UAL as a percentage of payroll	(6%)	36%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(10.13%)	(8.33%)
Allocated pooled RHIA UAL	\$341,205	\$550,307
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$24,645,203	\$24,645,203
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,696,943)	(1,696,943)
5. Side account earnings during 2013		3,790,178	3,790,178
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$26,736,438	\$26,736,438

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$14,120,787	\$13,015,413
Side Account 2	12,615,651	11,629,790
Side Account 3	0	0
Total	\$26,736,438	\$24,645,203

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$26,736,438	\$24,645,203
2. Combined valuation payroll	24,651,662	26,229,556
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(10.13%)	(8.33%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

Clackamas County Fire District/2745
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clackamas County Fire District/2745

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clackamas County Fire District/2745

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas County Fire District -- #2745

September 2014

Secondary Employers

2164	Milwaukie Central Dispatch
2517	Clackamas Fire District #1
2523	Oak Lodge Fire Department
2537	Clackamas Fire Protection District #71
2546	Happy Valley Fire District
2548	Multnomah Rural Fire Protection District #12
2574	Clackamas County Rural Fire Protection District #54
2583	Beavercreek Fire District
2591	Clackamas County Rural Fire Protection District #68

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Executive Summary

Milliman has prepared this report for Clackamas County Fire District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas County Fire District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clackamas County Fire District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.46%	11.81%	16.88%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(4.55%)	(4.55%)	(4.55%)	(4.55%)	(4.55%)
Net pension contribution rate	17.02%	12.37%	17.44%	7.89%	12.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.55%	12.90%	17.97%	8.34%	12.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas County Fire District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$16,237,790	\$21,270,067
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	1,514,243	1,464,223
Side account	10,425,495	9,797,242
Net unfunded pension actuarial accrued liability	7,326,538	12,937,048
Combined valuation payroll	21,416,024	20,774,208
Net pension UAL as a percentage of payroll	34%	62%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	0.00%	0.00%
Side account rate relief	(4.55%)	(4.18%)
Allocated pooled RHIA UAL	\$296,421	\$435,852
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$302,438	\$46,545	15.80%	\$276,356	\$43,664
Tier 2 General Service	10.57%	873,782	92,359	10.58%	934,915	98,914
Total General Service		1,176,220	138,904		1,211,271	142,578
Tier 1 Police & Fire	17.62%	8,116,254	1,430,084	17.89%	8,284,114	1,482,028
Tier 2 Police & Fire	15.63%	4,811,487	752,035	15.70%	4,578,935	718,893
Total Police & Fire		12,927,741	2,182,119		12,863,049	2,200,921
Total		\$14,103,961	\$2,321,023		\$14,074,320	\$2,343,499
Employer normal cost rate						
General Service			11.81%			11.77%
Police & Fire			16.88%			17.11%
Aggregate (Default)			16.46%			16.65%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	21,416,024	20,774,208
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$9,797,242	\$9,797,242
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(865,828)	(865,828)
5. Side account earnings during 2013		1,495,081	1,495,081
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$10,425,495	\$10,425,495

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$10,425,495	\$9,797,242
Side Account 2	0	0
Side Account 3	0	0
Total	\$10,425,495	\$9,797,242

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$10,425,495	\$9,797,242
2. Combined valuation payroll	21,416,024	20,774,208
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(4.55%)	(4.18%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Clackamas River Water/2761
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clackamas River Water/2761

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clackamas River Water/2761

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas River Water -- #2761

September 2014

Secondary Employers

2634 Clairmont Water

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Executive Summary

Milliman has prepared this report for Clackamas River Water to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas River Water.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clackamas River Water

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.10%	12.10%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	2.78%	2.78%	2.78%	2.78%	2.78%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	18.18%	18.18%	22.59%	13.41%	17.52%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.71%	18.71%	23.12%	13.86%	17.97%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas River Water

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,094,325	\$2,878,523
Allocated pre-SLGRP pooled liability/(surplus)	(533,643)	(557,072)
Transition liability/(surplus)	822,311	834,573
Allocated pooled OPSRP UAL	195,305	198,156
Side account	0	0
Net unfunded pension actuarial accrued liability	2,578,298	3,354,180
Combined valuation payroll	2,762,206	2,811,417
Net pension UAL as a percentage of payroll	93%	119%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	2.78%	2.63%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$38,232	\$58,985
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$570,493	\$87,799	15.80%	\$656,455	\$103,720
Tier 2 General Service	10.57%	1,222,012	129,167	10.58%	1,215,328	128,582
Total General Service		1,792,505	216,966		1,871,783	232,302
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,792,505	\$216,966		\$1,871,783	\$232,302
Employer normal cost rate						
General Service			12.10%			12.41%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.10%			12.41%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$834,573
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	2.81%
B. Actual employer payroll	1,275,791
C. Payment to transition liability/(surplus)	35,850
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	2.65%
B. Actual employer payroll	1,341,783
C. Payment to transition liability/(surplus)	35,557
4. Supplemental payment to transition liability	0
5. Interest	59,145
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$822,311

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	822,311	834,573
2. Combined valuation payroll	2,762,206	2,811,417
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	2.78%	2.63%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	2,762,206	2,811,417
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Clackamas Vector Control/2538
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clackamas Vector Control/2538

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clackamas Vector Control/2538

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clackamas Vector Control -- #2538

September 2014

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Executive Summary

Milliman has prepared this report for Clackamas Vector Control to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clackamas Vector Control.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clackamas Vector Control

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.39%	15.39%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	3.78%	3.78%	3.78%	3.78%	3.78%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.47%	22.47%	23.59%	14.41%	18.52%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	23.00%	23.00%	24.12%	14.86%	18.97%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clackamas Vector Control

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$226,205	\$295,977
Allocated pre-SLGRP pooled liability/(surplus)	(57,638)	(57,280)
Transition liability/(surplus)	120,684	128,402
Allocated pooled OPSRP UAL	21,095	20,375
Side account	0	0
Net unfunded pension actuarial accrued liability	310,346	387,474
Combined valuation payroll	298,342	289,077
Net pension UAL as a percentage of payroll	104%	134%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	3.78%	3.94%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,129	\$6,065
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$102,407	\$15,760	15.80%	\$99,161	\$15,667
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		102,407	15,760		99,161	15,667
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$102,407	\$15,760		\$99,161	\$15,667
Employer normal cost rate						
General Service			15.39%			15.80%
Police & Fire			16.51%			16.72%
Aggregate (Default)			15.39%			15.80%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$128,402
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	6.46%
B. Actual employer payroll	123,379
C. Payment to transition liability/(surplus)	7,970
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	6.44%
B. Actual employer payroll	130,872
C. Payment to transition liability/(surplus)	8,428
4. Supplemental payment to transition liability	0
5. Interest	8,680
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$120,684

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	120,684	128,402
2. Combined valuation payroll	298,342	289,077
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	3.78%	3.94%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	298,342	289,077
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Clatskanie Library/2707
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
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This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie Library -- #2707

September 2014

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Executive Summary

Milliman has prepared this report for Clatskanie Library to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie Library.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clatskanie Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.11%	14.11%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.50%	0.50%	0.50%	0.50%	0.50%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.91%	17.91%	20.31%	11.13%	15.24%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.44%	18.44%	20.84%	11.58%	15.69%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie Library

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$57,913	\$71,910
Allocated pre-SLGRP pooled liability/(surplus)	(14,756)	(13,917)
Transition liability/(surplus)	4,125	4,209
Allocated pooled OPSRP UAL	5,401	4,950
Side account	0	0
Net unfunded pension actuarial accrued liability	52,683	67,152
Combined valuation payroll	76,381	70,234
Net pension UAL as a percentage of payroll	69%	96%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.50%	0.53%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,057	\$1,474
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$49,465	\$7,613	15.80%	\$48,634	\$7,684
Tier 2 General Service	10.57%	17,985	1,901	10.58%	17,217	1,822
Total General Service		67,450	9,514		65,851	9,506
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$67,450	\$9,514		\$65,851	\$9,506
Employer normal cost rate						
General Service			14.11%			14.44%
Police & Fire			16.51%			16.72%
Aggregate (Default)			14.11%			14.44%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$4,209
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.49%
B. Actual employer payroll	35,593
C. Payment to transition liability/(surplus)	174
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.57%
B. Actual employer payroll	36,245
C. Payment to transition liability/(surplus)	207
4. Supplemental payment to transition liability	0
5. Interest	297
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$4,125

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	4,125	4,209
2. Combined valuation payroll	76,381	70,234
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	0.50%	0.53%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	76,381	70,234
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Clatskanie PUD/2526
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clatskanie PUD/2526

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clatskanie PUD/2526

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie PUD -- #2526

September 2014

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Executive Summary

Milliman has prepared this report for Clatskanie PUD to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie PUD.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clatskanie PUD

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.51%	13.51%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	5.94%	5.94%	5.94%	5.94%	5.94%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	22.75%	22.75%	25.75%	16.57%	20.68%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	23.28%	23.28%	26.28%	17.02%	21.13%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie PUD

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,287,261	\$3,627,098
Allocated pre-SLGRP pooled liability/(surplus)	(582,804)	(701,941)
Transition liability/(surplus)	1,918,802	1,949,279
Allocated pooled OPSRP UAL	213,297	249,688
Side account	0	0
Net unfunded pension actuarial accrued liability	3,836,556	5,124,124
Combined valuation payroll	3,016,669	3,542,541
Net pension UAL as a percentage of payroll	127%	145%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	5.94%	4.88%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$41,754	\$74,324
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$721,773	\$111,081	15.80%	\$693,592	\$109,588
Tier 2 General Service	10.57%	459,522	48,571	10.58%	691,618	73,173
Total General Service		1,181,295	159,652		1,385,210	182,761
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,181,295	\$159,652		\$1,385,210	\$182,761
Employer normal cost rate						
General Service			13.51%			13.19%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.51%			13.19%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$1,949,279
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	5.42%
B. Actual employer payroll	1,694,683
C. Payment to transition liability/(surplus)	91,852
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	5.10%
B. Actual employer payroll	1,502,676
C. Payment to transition liability/(surplus)	76,636
4. Supplemental payment to transition liability	0
5. Interest	138,011
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$1,918,802

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	1,918,802	1,949,279
2. Combined valuation payroll	3,016,669	3,542,541
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	5.94%	4.88%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,016,669	3,542,541
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

Clatskanie Rural Fire Protection District/2588
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Clatskanie Rural Fire Protection District/2588

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clatskanie Rural Fire Protection District/2588

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatskanie Rural Fire Protection District -- #2588

September 2014

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Executive Summary

Milliman has prepared this report for Clatskanie Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatskanie Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clatskanie Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.93%	13.02%	16.93%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.99%)	(7.99%)	(7.99%)	(7.99%)	(7.99%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.05%	10.14%	14.05%	4.45%	8.56%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.58%	10.67%	14.58%	4.90%	9.01%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatskanie Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$454,732	\$513,023
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(513,200)	(526,717)
Allocated pooled OPSRP UAL	42,406	35,316
Side account	0	0
Net unfunded pension actuarial accrued liability	(16,062)	21,622
Combined valuation payroll	599,746	501,063
Net pension UAL as a percentage of payroll	(3%)	4%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.99%)	(9.33%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,301	\$10,513
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	208,561	36,748	17.89%	175,705	31,434
Tier 2 Police & Fire	15.63%	111,283	17,394	15.70%	74,875	11,755
Total Police & Fire		319,844	54,142		250,580	43,189
Total		\$319,844	\$54,142		\$250,580	\$43,189
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.93%			17.24%
Aggregate (Default)			16.93%			17.24%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$526,717)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(9.42%)
B. Actual employer payroll	252,552
C. Payment to transition liability/(surplus)	(23,790)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(9.06%)
B. Actual employer payroll	294,024
C. Payment to transition liability/(surplus)	(26,639)
4. Supplemental payment to transition liability	0
5. Interest	(36,912)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$513,200)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(513,200)	(526,717)
2. Combined valuation payroll	599,746	501,063
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.99%)	(9.33%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	599,746	501,063
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Clatsop Community College/2900
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clatsop Community College/2900

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clatsop Community College/2900

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatsop Community College -- #2900

September 2014

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Executive Summary

Milliman has prepared this report for Clatsop Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatsop Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clatsop Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(11.02%)	(11.02%)	(11.02%)	(11.02%)	(11.02%)
Net pension contribution rate	8.74%	8.74%	12.45%	3.27%	7.38%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	9.27%	9.27%	12.98%	3.72%	7.83%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatsop Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,207,271	\$5,461,992
Allocated pre-SLGRP pooled liability/(surplus)	1,097,924	1,112,225
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	392,346	376,001
Side account	6,545,528	6,049,287
Net unfunded pension actuarial accrued liability	(847,987)	900,931
Combined valuation payroll	5,548,971	5,334,659
Net pension UAL as a percentage of payroll	(15%)	17%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(11.02%)	(10.06%)
Allocated pooled RHIA UAL	\$76,804	\$111,923
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$6,049,287	\$6,049,287
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(435,579)	(435,579)
5. Side account earnings during 2013		932,819	932,819
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$6,545,528	\$6,545,528

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$6,545,528	\$6,049,287
Side Account 2	0	0
Side Account 3	0	0
Total	\$6,545,528	\$6,049,287

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$6,545,528	\$6,049,287
2. Combined valuation payroll	5,548,971	5,334,659
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(11.02%)	(10.06%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

Clatsop County/2036
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clatsop County/2036

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clatsop County/2036

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clatsop County -- #2036

September 2014

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Executive Summary

Milliman has prepared this report for Clatsop County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clatsop County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clatsop County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.43%	13.36%	16.41%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(6.13%)	(6.13%)	(6.13%)	(6.13%)	(6.13%)
Net pension contribution rate	11.60%	10.53%	13.58%	4.50%	8.61%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.13%	11.06%	14.11%	4.95%	9.06%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clatsop County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$8,966,306	\$12,603,427
Allocated pre-SLGRP pooled liability/(surplus)	(2,284,655)	(2,439,104)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	836,146	867,615
Side account	7,754,751	7,247,445
Net unfunded pension actuarial accrued liability	(236,954)	3,784,493
Combined valuation payroll	11,825,663	12,309,609
Net pension UAL as a percentage of payroll	(2%)	31%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	(6.13%)	(5.22%)
Allocated pooled RHIA UAL	\$163,680	\$258,261
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$2,224,235	\$342,310	15.80%	\$2,531,346	\$399,953
Tier 2 General Service	10.57%	1,621,385	171,380	10.58%	1,814,180	191,940
Total General Service		3,845,620	513,690		4,345,526	591,893
Tier 1 Police & Fire	17.62%	822,132	144,860	17.89%	950,731	170,086
Tier 2 Police & Fire	15.63%	1,268,683	198,295	15.70%	1,305,277	204,928
Total Police & Fire		2,090,815	343,155		2,256,008	375,014
Total		\$5,936,435	\$856,845		\$6,601,534	\$966,907
Employer normal cost rate						
General Service			13.36%			13.62%
Police & Fire			16.41%			16.62%
Aggregate (Default)			14.43%			14.65%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	11,825,663	12,309,609
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$7,247,445	\$7,247,445
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(601,241)	(601,241)
5. Side account earnings during 2013		1,109,546	1,109,546
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$7,754,751	\$7,754,751

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$7,754,751	\$7,247,445
Side Account 2	0	0
Side Account 3	0	0
Total	\$7,754,751	\$7,247,445

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$7,754,751	\$7,247,445
2. Combined valuation payroll	11,825,663	12,309,609
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(6.13%)	(5.22%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Clean Water Services/2617
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Clean Water Services/2617

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Clean Water Services/2617

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Clean Water Services -- #2617

September 2014

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Executive Summary

Milliman has prepared this report for Clean Water Services to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Clean Water Services.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Clean Water Services

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.58%	13.58%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.33%)	(1.33%)	(1.33%)	(1.33%)	(1.33%)
Side account rate relief ²	(5.60%)	(5.60%)	(5.60%)	(5.60%)	(5.60%)
Net pension contribution rate	11.76%	11.76%	14.69%	5.51%	9.62%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	12.29%	12.29%	15.22%	5.96%	10.07%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Clean Water Services

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$18,621,041	\$24,939,490
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,503,782)	(3,562,444)
Allocated pooled OPSRP UAL	1,736,492	1,716,825
Side account	14,731,221	13,724,305
Net unfunded pension actuarial accrued liability	2,122,530	9,369,566
Combined valuation payroll	24,559,294	24,358,087
Net pension UAL as a percentage of payroll	9%	38%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.33%)	(1.30%)
Side account rate relief	(5.60%)	(5.00%)
Allocated pooled RHIA UAL	\$339,927	\$511,043
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$9,498,971	\$1,461,892	15.80%	\$10,258,930	\$1,620,911
Tier 2 General Service	10.57%	5,713,125	603,877	10.58%	5,444,839	576,064
Total General Service		15,212,096	2,065,769		15,703,769	2,196,975
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$15,212,096	\$2,065,769		\$15,703,769	\$2,196,975
Employer normal cost rate						
General Service			13.58%			13.99%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.58%			13.99%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,562,444)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.28%)
B. Actual employer payroll	11,322,014
C. Payment to transition liability/(surplus)	(144,922)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.30%)
B. Actual employer payroll	12,750,212
C. Payment to transition liability/(surplus)	(165,752)
4. Supplemental payment to transition liability	0
5. Interest	(252,012)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$3,503,782)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,503,782)	(3,562,444)
2. Combined valuation payroll	24,559,294	24,358,087
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.33%)	(1.30%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$13,724,305	\$13,724,305
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,099,866)	(1,099,866)
5. Side account earnings during 2013		2,107,783	2,107,783
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$14,731,221	\$14,731,221

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$14,731,221	\$13,724,305
Side Account 2	0	0
Side Account 3	0	0
Total	\$14,731,221	\$13,724,305

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$14,731,221	\$13,724,305
2. Combined valuation payroll	24,559,294	24,358,087
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(5.60%)	(5.00%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Cloverdale Rural Fire Protection District/2681
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Cloverdale Rural Fire Protection District/2681

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Cloverdale Rural Fire Protection District/2681

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Cloverdale Rural Fire Protection District -- #2681

September 2014

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Executive Summary

Milliman has prepared this report for Cloverdale Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Cloverdale Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Cloverdale Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.51%	10.55%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	3.93%	3.93%	3.93%	3.93%	3.93%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	24.74%	17.78%	24.85%	14.56%	18.67%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	25.27%	18.31%	25.38%	15.01%	19.12%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Cloverdale Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$91,306	\$76,127
Allocated pre-SLGRP pooled liability/(surplus)	(23,265)	(14,733)
Transition liability/(surplus)	50,591	54,666
Allocated pooled OPSRP UAL	8,515	5,241
Side account	0	0
Net unfunded pension actuarial accrued liability	127,147	121,301
Combined valuation payroll	120,424	74,352
Net pension UAL as a percentage of payroll	106%	163%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	3.93%	6.52%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,667	\$1,560
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	1,204	127	10.58%	0	0
Total General Service		1,204	127		0	0
Tier 1 Police & Fire	17.62%	77,900	13,726	17.89%	74,352	13,302
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		77,900	13,726		74,352	13,302
Total		\$79,104	\$13,853		\$74,352	\$13,302
Employer normal cost rate						
General Service			10.55%			13.34%
Police & Fire			17.62%			17.89%
Aggregate (Default)			17.51%			17.89%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$54,666
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	5.86%
B. Actual employer payroll	60,916
C. Payment to transition liability/(surplus)	3,570
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	6.90%
B. Actual employer payroll	60,064
C. Payment to transition liability/(surplus)	4,144
4. Supplemental payment to transition liability	0
5. Interest	3,639
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$50,591

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	50,591	54,666
2. Combined valuation payroll	120,424	74,352
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	3.93%	6.52%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	120,424	74,352
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

Coburg Rural Fire Protection District/2801
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

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September 2014
Coburg Rural Fire Protection District/2801

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Coburg Rural Fire Protection District/2801

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coburg Rural Fire Protection District -- #2801

September 2014

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Executive Summary

Milliman has prepared this report for Coburg Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coburg Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Coburg Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	15.63%	13.02%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(7.01%)	(7.01%)	(7.01%)	(7.01%)	(7.01%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.73%	11.12%	13.73%	5.43%	9.54%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.26%	11.65%	14.26%	5.88%	9.99%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coburg Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$88,257	\$117,204
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(87,364)	(88,604)
Allocated pooled OPSRP UAL	8,230	8,068
Side account	0	0
Net unfunded pension actuarial accrued liability	9,123	36,668
Combined valuation payroll	116,402	114,472
Net pension UAL as a percentage of payroll	8%	32%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(7.01%)	(6.87%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,611	\$2,402
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	70,149	10,964	15.70%	68,741	10,792
Total Police & Fire		70,149	10,964		68,741	10,792
Total		\$70,149	\$10,964		\$68,741	\$10,792
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			15.63%			15.70%
Aggregate (Default)			15.63%			15.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$88,604)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.08%)
B. Actual employer payroll	53,298
C. Payment to transition liability/(surplus)	(3,773)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.61%)
B. Actual employer payroll	56,746
C. Payment to transition liability/(surplus)	(3,751)
4. Supplemental payment to transition liability	0
5. Interest	(6,284)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$87,364)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(87,364)	(88,604)
2. Combined valuation payroll	116,402	114,472
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(7.01%)	(6.87%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	116,402	114,472
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

Colton Fire Department/2649
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Colton Fire Department/2649

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Colton Fire Department/2649

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Colton Fire Department -- #2649

September 2014

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Executive Summary

Milliman has prepared this report for Colton Fire Department to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Colton Fire Department.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Colton Fire Department

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.62%	13.02%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(6.34%)	(6.34%)	(6.34%)	(6.34%)	(6.34%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.39%	11.79%	16.39%	6.10%	10.21%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.92%	12.32%	16.92%	6.55%	10.66%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Colton Fire Department

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$64,621	\$86,395
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(57,788)	(60,790)
Allocated pooled OPSRP UAL	6,026	5,947
Side account	0	0
Net unfunded pension actuarial accrued liability	12,859	31,552
Combined valuation payroll	85,228	84,381
Net pension UAL as a percentage of payroll	15%	37%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(6.34%)	(6.39%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$1,180	\$1,770
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	85,228	15,017	17.89%	84,381	15,096
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		85,228	15,017		84,381	15,096
Total		\$85,228	\$15,017		\$84,381	\$15,096
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			17.62%			17.89%
Aggregate (Default)			17.62%			17.89%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$60,790)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(9.90%)
B. Actual employer payroll	40,835
C. Payment to transition liability/(surplus)	(4,043)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(7.63%)
B. Actual employer payroll	40,835
C. Payment to transition liability/(surplus)	(3,115)
4. Supplemental payment to transition liability	0
5. Interest	(4,156)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$57,788)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(57,788)	(60,790)
2. Combined valuation payroll	85,228	84,381
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.34%)	(6.39%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	85,228	84,381
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
503 227 0634

September 2014

Columbia 911 Communications District/2671
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Columbia 911 Communications District/2671

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Columbia 911 Communications District/2671

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia 911 Communications District -- #2671

September 2014

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Executive Summary

Milliman has prepared this report for Columbia 911 Communications District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia 911 Communications District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Columbia 911 Communications District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.14%	12.14%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.84%)	(0.84%)	(0.84%)	(0.84%)	(0.84%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.60%	14.60%	18.97%	9.79%	13.90%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	15.13%	15.13%	19.50%	10.24%	14.35%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia 911 Communications District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$949,327	\$1,176,870
Allocated pre-SLGRP pooled liability/(surplus)	(241,893)	(227,756)
Transition liability/(surplus)	(113,049)	(114,744)
Allocated pooled OPSRP UAL	88,529	81,015
Side account	0	0
Net unfunded pension actuarial accrued liability	682,914	915,385
Combined valuation payroll	1,252,067	1,149,434
Net pension UAL as a percentage of payroll	55%	80%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.84%)	(0.89%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$17,330	\$24,116
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$323,671	\$49,813	15.80%	\$315,169	\$49,797
Tier 2 General Service	10.57%	667,608	70,566	10.58%	639,974	67,709
Total General Service		991,279	120,379		955,143	117,506
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$991,279	\$120,379		\$955,143	\$117,506
Employer normal cost rate						
General Service			12.14%			12.30%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.14%			12.30%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$114,744)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.80%)
B. Actual employer payroll	602,238
C. Payment to transition liability/(surplus)	(4,818)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.80%)
B. Actual employer payroll	626,059
C. Payment to transition liability/(surplus)	(5,008)
4. Supplemental payment to transition liability	0
5. Interest	(8,131)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$113,049)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(113,049)	(114,744)
2. Combined valuation payroll	1,252,067	1,149,434
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.84%)	(0.89%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,252,067	1,149,434
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

Columbia County/2017
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Columbia County/2017

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Columbia County/2017

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia County -- #2017

September 2014

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

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Executive Summary

Milliman has prepared this report for Columbia County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Columbia County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.07%	13.12%	16.38%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(4.46%)	(4.46%)	(4.46%)	(4.46%)	(4.46%)
Side account rate relief ²	(3.75%)	(3.75%)	(3.75%)	(3.75%)	(3.75%)
Net pension contribution rate	10.97%	10.02%	13.28%	4.23%	8.34%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.50%	10.55%	13.81%	4.68%	8.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$6,166,195	\$9,062,695
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(3,882,129)	(3,919,282)
Allocated pooled OPSRP UAL	575,024	623,873
Side account	3,262,221	3,052,758
Net unfunded pension actuarial accrued liability	(403,131)	2,714,528
Combined valuation payroll	8,132,595	8,851,421
Net pension UAL as a percentage of payroll	(5%)	31%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(4.46%)	(3.93%)
Side account rate relief	(3.75%)	(3.06%)
Allocated pooled RHIA UAL	\$112,564	\$185,707
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,801,153	\$277,197	15.80%	\$2,140,733	\$338,236
Tier 2 General Service	10.57%	1,608,778	170,048	10.58%	1,683,849	178,151
Total General Service		3,409,931	447,245		3,824,582	516,387
Tier 1 Police & Fire	17.62%	525,429	92,581	17.89%	558,271	99,875
Tier 2 Police & Fire	15.63%	876,051	136,927	15.70%	1,092,768	171,565
Total Police & Fire		1,401,480	229,508		1,651,039	271,440
Total		\$4,811,411	\$676,753		\$5,475,621	\$787,827
Employer normal cost rate						
General Service			13.12%			13.50%
Police & Fire			16.38%			16.44%
Aggregate (Default)			14.07%			14.39%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$3,919,282)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(4.07%)
B. Actual employer payroll	4,118,458
C. Payment to transition liability/(surplus)	(167,621)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(3.64%)
B. Actual employer payroll	4,086,732
C. Payment to transition liability/(surplus)	(148,757)
4. Supplemental payment to transition liability	0
5. Interest	(279,225)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$3,882,129)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(3,882,129)	(3,919,282)
2. Combined valuation payroll	8,132,595	8,851,421
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(4.46%)	(3.93%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,052,758	\$3,052,758
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(254,980)	(254,980)
5. Side account earnings during 2013		465,443	465,443
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$3,262,221	\$3,262,221

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$3,262,221	\$3,052,758
Side Account 2	0	0
Side Account 3	0	0
Total	\$3,262,221	\$3,052,758

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$3,262,221	\$3,052,758
2. Combined valuation payroll	8,132,595	8,851,421
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(3.75%)	(3.06%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

Columbia Drainage Vector Control District/2687
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Columbia Drainage Vector Control District/2687

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Columbia Drainage Vector Control District/2687

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia Drainage Vector Control District -- #2687

September 2014

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Executive Summary

Milliman has prepared this report for Columbia Drainage Vector Control District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia Drainage Vector Control District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Columbia Drainage Vector Control District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.23%	13.23%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	9.94%	9.94%	9.94%	9.94%	9.94%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	26.47%	26.47%	29.75%	20.57%	24.68%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	27.00%	27.00%	30.28%	21.02%	25.13%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia Drainage Vector Control District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$128,052	\$133,190
Allocated pre-SLGRP pooled liability/(surplus)	(32,628)	(25,776)
Transition liability/(surplus)	179,622	185,918
Allocated pooled OPSRP UAL	11,941	9,169
Side account	0	0
Net unfunded pension actuarial accrued liability	286,987	302,501
Combined valuation payroll	168,888	130,085
Net pension UAL as a percentage of payroll	170%	233%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	9.94%	12.68%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,338	\$2,729
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$75,426	\$11,608	15.80%	\$71,899	\$11,360
Tier 2 General Service	10.57%	60,986	6,446	10.58%	58,186	6,156
Total General Service		136,412	18,054		130,085	17,516
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$136,412	\$18,054		\$130,085	\$17,516
Employer normal cost rate						
General Service			13.23%			13.47%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.23%			13.47%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$185,918
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	11.09%
B. Actual employer payroll	74,948
C. Payment to transition liability/(surplus)	8,312
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	13.37%
B. Actual employer payroll	81,547
C. Payment to transition liability/(surplus)	10,903
4. Supplemental payment to transition liability	0
5. Interest	12,919
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$179,622

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	179,622	185,918
2. Combined valuation payroll	168,888	130,085
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	9.94%	12.68%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	168,888	130,085
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Columbia Gorge Community College/2996
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Columbia Gorge Community College/2996

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Columbia Gorge Community College/2996

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia Gorge Community College -- #2996

September 2014

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Executive Summary

Milliman has prepared this report for Columbia Gorge Community College to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia Gorge Community College.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Columbia Gorge Community College

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.80%	12.80%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	1.85%	1.85%	1.85%	1.85%	1.85%
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	(6.36%)	(6.36%)	(6.36%)	(6.36%)	(6.36%)
Net pension contribution rate	13.40%	13.40%	17.11%	7.93%	12.04%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.93%	13.93%	17.64%	8.38%	12.49%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia Gorge Community College

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,946,806	\$4,912,843
Allocated pre-SLGRP pooled liability/(surplus)	1,029,954	1,000,402
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	368,057	338,198
Side account	3,541,270	3,317,389
Net unfunded pension actuarial accrued liability	1,803,547	2,934,054
Combined valuation payroll	5,205,443	4,798,312
Net pension UAL as a percentage of payroll	35%	61%
Pre-SLGRP pooled rate	1.85%	1.85%
Transition rate	0.00%	0.00%
Side account rate relief	(6.36%)	(6.13%)
Allocated pooled RHIA UAL	\$72,049	\$100,671
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$101,323,810	\$15,593,734	15.80%	\$115,698,503	\$18,280,363
Tier 2 General Service	10.57%	117,604,426	12,430,788	10.58%	119,603,929	12,654,096
Total General Service		218,928,236	28,024,522		235,302,432	30,934,459
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$218,928,236	\$28,024,522		\$235,302,432	\$30,934,459
Employer normal cost rate						
General Service			12.80%			13.15%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.80%			13.15%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	408,769,564	413,167,858
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,317,389	\$3,317,389
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(282,571)	(282,571)
5. Side account earnings during 2013		507,452	507,452
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$3,541,270	\$3,541,270

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$3,541,270	\$3,317,389
Side Account 2	0	0
Side Account 3	0	0
Total	\$3,541,270	\$3,317,389

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$3,541,270	\$3,317,389
2. Combined valuation payroll	5,205,443	4,798,312
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(6.36%)	(6.13%)

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Columbia River Fire & Rescue/2528
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Columbia River Fire & Rescue/2528

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Columbia River Fire & Rescue/2528

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Columbia River Fire & Rescue -- #2528

September 2014

Secondary Employers

2577 Rainier Fire Department

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Executive Summary

Milliman has prepared this report for Columbia River Fire & Rescue to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Columbia River Fire & Rescue.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Columbia River Fire & Rescue

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.26%	10.57%	16.44%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(6.42%)	(6.42%)	(6.42%)	(6.42%)	(6.42%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	13.14%	7.45%	13.32%	4.21%	8.32%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.67%	7.98%	13.85%	4.66%	8.77%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Columbia River Fire & Rescue

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$2,954,653	\$3,911,378
Allocated pre-SLGRP pooled liability/(surplus)	(752,859)	(756,957)
Transition liability/(surplus)	(2,676,754)	(2,706,496)
Allocated pooled OPSRP UAL	275,534	269,258
Side account	0	0
Net unfunded pension actuarial accrued liability	(199,426)	717,183
Combined valuation payroll	3,896,892	3,820,194
Net pension UAL as a percentage of payroll	(5%)	19%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(6.42%)	(6.29%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$53,937	\$80,149
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	72,904	7,706	10.58%	71,175	7,530
Total General Service		72,904	7,706		71,175	7,530
Tier 1 Police & Fire	17.62%	921,441	162,358	17.89%	1,043,900	186,754
Tier 2 Police & Fire	15.63%	1,329,222	207,757	15.70%	1,449,177	227,521
Total Police & Fire		2,250,663	370,115		2,493,077	414,275
Total		\$2,323,567	\$377,821		\$2,564,252	\$421,805
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.44%			16.62%
Aggregate (Default)			16.26%			16.45%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$2,706,496)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.86%)
B. Actual employer payroll	1,821,594
C. Payment to transition liability/(surplus)	(106,745)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.08%)
B. Actual employer payroll	1,900,073
C. Payment to transition liability/(surplus)	(115,525)
4. Supplemental payment to transition liability	0
5. Interest	(192,528)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$2,676,754)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(2,676,754)	(2,706,496)
2. Combined valuation payroll	3,896,892	3,820,194
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(6.42%)	(6.29%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	3,896,892	3,820,194
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Community Services Consortium/2612
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Community Services Consortium/2612

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Community Services Consortium/2612

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Community Services Consortium -- #2612

September 2014

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Executive Summary

Milliman has prepared this report for Community Services Consortium to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Community Services Consortium.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Community Services Consortium

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.26%	12.26%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.45%)	(1.45%)	(1.45%)	(1.45%)	(1.45%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	14.11%	14.11%	18.36%	9.18%	13.29%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	14.64%	14.64%	18.89%	9.63%	13.74%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Community Services Consortium

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$3,048,469	\$4,420,403
Allocated pre-SLGRP pooled liability/(surplus)	(776,763)	(855,467)
Transition liability/(surplus)	(624,386)	(622,211)
Allocated pooled OPSRP UAL	284,283	304,299
Side account	0	0
Net unfunded pension actuarial accrued liability	1,931,603	3,247,024
Combined valuation payroll	4,020,626	4,317,352
Net pension UAL as a percentage of payroll	48%	75%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.45%)	(1.28%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$55,650	\$90,580
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$614,138	\$94,516	15.80%	\$750,853	\$118,635
Tier 2 General Service	10.57%	1,141,970	120,706	10.58%	1,216,766	128,734
Total General Service		1,756,108	215,222		1,967,619	247,369
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$1,756,108	\$215,222		\$1,967,619	\$247,369
Employer normal cost rate						
General Service			12.26%			12.57%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.26%			12.57%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$622,211)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.95%)
B. Actual employer payroll	2,148,258
C. Payment to transition liability/(surplus)	(20,408)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.15%)
B. Actual employer payroll	1,941,321
C. Payment to transition liability/(surplus)	(22,326)
4. Supplemental payment to transition liability	0
5. Interest	(44,909)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$624,386)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(624,386)	(622,211)
2. Combined valuation payroll	4,020,626	4,317,352
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.45%)	(1.28%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	4,020,626	4,317,352
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

Coos County Airport District/2860
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Coos County Airport District/2860

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Coos County Airport District/2860

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coos County Airport District -- #2860

September 2014

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Executive Summary

Milliman has prepared this report for Coos County Airport District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coos County Airport District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Coos County Airport District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(5.83%)	(5.83%)	(5.83%)	(5.83%)	(5.83%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	9.85%	9.85%	15.79%	6.61%	10.72%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	10.38%	10.38%	16.32%	7.06%	11.17%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coos County Airport District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$486,356	\$631,971
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(399,953)	(408,981)
Allocated pooled OPSRP UAL	45,355	43,505
Side account	0	0
Net unfunded pension actuarial accrued liability	131,758	266,495
Combined valuation payroll	641,455	617,238
Net pension UAL as a percentage of payroll	21%	43%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(5.83%)	(5.88%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$8,878	\$12,950
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	123,288	13,032	10.58%	119,494	12,642
Total General Service		123,288	13,032		119,494	12,642
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$123,288	\$13,032		\$119,494	\$12,642
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$408,981)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(5.78%)
B. Actual employer payroll	294,395
C. Payment to transition liability/(surplus)	(17,016)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(6.68%)
B. Actual employer payroll	311,060
C. Payment to transition liability/(surplus)	(20,779)
4. Supplemental payment to transition liability	0
5. Interest	(28,767)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$399,953)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(399,953)	(408,981)
2. Combined valuation payroll	641,455	617,238
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(5.83%)	(5.88%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	641,455	617,238
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Coos County/2018
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Coos County/2018

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Coos County/2018

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Coos County -- #2018

September 2014

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Executive Summary

Milliman has prepared this report for Coos County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Coos County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Coos County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.23%	13.21%	16.54%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	1.01%	1.01%	1.01%	1.01%	1.01%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	20.35%	19.33%	22.66%	13.45%	17.56%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	20.88%	19.86%	23.19%	13.90%	18.01%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Coos County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$9,553,862	\$12,636,883
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	1,357,408	1,368,847
Allocated pooled OPSRP UAL	890,938	869,918
Side account	0	0
Net unfunded pension actuarial accrued liability	11,802,208	14,875,648
Combined valuation payroll	12,600,590	12,342,285
Net pension UAL as a percentage of payroll	94%	121%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	1.01%	0.98%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$174,406	\$258,946
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$3,028,798	\$466,132	15.80%	\$2,784,084	\$439,885
Tier 2 General Service	10.57%	2,498,271	264,067	10.58%	2,448,596	259,061
Total General Service		5,527,069	730,199		5,232,680	698,946
Tier 1 Police & Fire	17.62%	1,120,273	197,392	17.89%	1,517,392	271,461
Tier 2 Police & Fire	15.63%	1,323,330	206,836	15.70%	1,531,500	240,446
Total Police & Fire		2,443,603	404,228		3,048,892	511,907
Total		\$7,970,672	\$1,134,427		\$8,281,572	\$1,210,853
Employer normal cost rate						
General Service			13.21%			13.36%
Police & Fire			16.54%			16.79%
Aggregate (Default)			14.23%			14.62%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$1,368,847
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.85%
B. Actual employer payroll	5,986,708
C. Payment to transition liability/(surplus)	50,887
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.92%
B. Actual employer payroll	6,324,475
C. Payment to transition liability/(surplus)	58,185
4. Supplemental payment to transition liability	0
5. Interest	97,633
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$1,357,408

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	1,357,408	1,368,847
2. Combined valuation payroll	12,600,590	12,342,285
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	1.01%	0.98%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	12,600,590	12,342,285
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Milliman
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Portland, OR 97204-3654
503 227 0634

September 2014

Corbett Water District/2603
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
Corbett Water District/2603

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Corbett Water District/2603

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Corbett Water District -- #2603

September 2014

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Executive Summary

Milliman has prepared this report for Corbett Water District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Corbett Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Corbett Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	0.00%	0.00%	0.00%	0.00%	0.00%
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.96%	16.32%	19.81%	10.63%	14.74%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	17.49%	16.85%	20.34%	11.08%	15.19%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Corbett Water District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$165,043	\$207,863
Allocated pre-SLGRP pooled liability/(surplus)	(42,054)	(40,227)
Transition liability/(surplus)	0	0
Allocated pooled OPSRP UAL	15,391	14,309
Side account	0	0
Net unfunded pension actuarial accrued liability	138,380	181,945
Combined valuation payroll	217,675	203,017
Net pension UAL as a percentage of payroll	64%	90%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	0.00%	0.00%
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,013	\$4,259
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	\$0
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	0.00%
B. Actual employer payroll	0
C. Payment to transition liability/(surplus)	0
4. Supplemental payment to transition liability	0
5. Interest	0
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	\$0

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	0	0
2. Combined valuation payroll	217,675	203,017
3. Regular amortization factor	0.000	11.272
4. Total transition liability/(surplus) rate	0.00%	0.00%

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	217,675	203,017
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014

Council of Governments/2545
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

September 2014
Council of Governments/2545

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Council of Governments/2545

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Council of Governments -- #2545

September 2014

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Executive Summary

Milliman has prepared this report for Council of Governments to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Council of Governments.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Council of Governments

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	12.75%	12.75%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.01%)	(0.01%)	(0.01%)	(0.01%)	(0.01%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	16.04%	16.04%	19.80%	10.62%	14.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.57%	16.57%	20.33%	11.07%	15.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Council of Governments

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$4,580,664	\$5,488,669
Allocated pre-SLGRP pooled liability/(surplus)	(1,167,174)	(1,062,206)
Transition liability/(surplus)	(7,929)	(7,935)
Allocated pooled OPSRP UAL	427,166	377,838
Side account	0	0
Net unfunded pension actuarial accrued liability	3,832,727	4,796,366
Combined valuation payroll	6,041,438	5,360,714
Net pension UAL as a percentage of payroll	63%	89%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.01%)	(0.01%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$83,620	\$112,470
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$1,108,344	\$170,574	15.80%	\$1,207,110	\$190,723
Tier 2 General Service	10.57%	1,346,566	142,332	10.58%	1,339,999	141,772
Total General Service		2,454,910	312,906		2,547,109	332,495
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$2,454,910	\$312,906		\$2,547,109	\$332,495
Employer normal cost rate						
General Service			12.75%			13.05%
Police & Fire			16.51%			16.72%
Aggregate (Default)			12.75%			13.05%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$7,935)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.01%)
B. Actual employer payroll	2,750,790
C. Payment to transition liability/(surplus)	(275)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.01%)
B. Actual employer payroll	3,008,923
C. Payment to transition liability/(surplus)	(301)
4. Supplemental payment to transition liability	0
5. Interest	(570)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$7,929)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(7,929)	(7,935)
2. Combined valuation payroll	6,041,438	5,360,714
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.01%)	(0.01%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	6,041,438	5,360,714
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Crescent Rural Fire Protection District/2834
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
Crescent Rural Fire Protection District/2834

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Crescent Rural Fire Protection District/2834

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crescent Rural Fire Protection District -- #2834

September 2014

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Executive Summary

Milliman has prepared this report for Crescent Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crescent Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Crescent Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	17.62%	13.02%	17.62%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(1.29%)	(1.29%)	(1.29%)	(1.29%)	(1.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	21.44%	16.84%	21.44%	11.15%	15.26%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	21.97%	17.37%	21.97%	11.60%	15.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crescent Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$173,144	\$214,205
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(31,522)	(34,672)
Allocated pooled OPSRP UAL	16,146	14,746
Side account	0	0
Net unfunded pension actuarial accrued liability	157,768	194,279
Combined valuation payroll	228,360	209,211
Net pension UAL as a percentage of payroll	69%	93%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(1.29%)	(1.47%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$3,161	\$4,389
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	61,764	10,883	17.89%	60,864	10,889
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		61,764	10,883		60,864	10,889
Total		\$61,764	\$10,883		\$60,864	\$10,889
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			17.62%			17.89%
Aggregate (Default)			17.62%			17.89%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$34,672)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(3.71%)
B. Actual employer payroll	91,868
C. Payment to transition liability/(surplus)	(3,408)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.91%)
B. Actual employer payroll	105,200
C. Payment to transition liability/(surplus)	(2,009)
4. Supplemental payment to transition liability	0
5. Interest	(2,267)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$31,522)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(31,522)	(34,672)
2. Combined valuation payroll	228,360	209,211
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.29%)	(1.47%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	228,360	209,211
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Crook County Rural Fire Protection District #1/2844
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Crook County Rural Fire Protection District #1/2844

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Crook County Rural Fire Protection District #1/2844

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crook County Rural Fire Protection District #1 -- #2844

September 2014

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Executive Summary

Milliman has prepared this report for Crook County Rural Fire Protection District #1 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crook County Rural Fire Protection District #1.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Crook County Rural Fire Protection District #1

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	14.74%	10.57%	15.63%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(0.35%)	(0.35%)	(0.35%)	(0.35%)	(0.35%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	17.69%	13.52%	18.58%	10.28%	14.39%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	18.22%	14.05%	19.11%	10.73%	14.84%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crook County Rural Fire Protection District #1

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$953,973	\$1,049,990
Allocated pre-SLGRP pooled liability/(surplus)	(243,077)	(203,201)
Transition liability/(surplus)	(47,629)	(50,393)
Allocated pooled OPSRP UAL	88,962	72,281
Side account	0	0
Net unfunded pension actuarial accrued liability	752,229	868,677
Combined valuation payroll	1,258,195	1,025,512
Net pension UAL as a percentage of payroll	60%	85%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(0.35%)	(0.44%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$17,415	\$21,516
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	67,291	7,113	10.58%	61,679	6,526
Total General Service		67,291	7,113		61,679	6,526
Tier 1 Police & Fire	17.62%	0	0	17.89%	85,566	15,308
Tier 2 Police & Fire	15.63%	315,849	49,367	15.70%	287,792	45,183
Total Police & Fire		315,849	49,367		373,358	60,491
Total		\$383,140	\$56,480		\$435,037	\$67,017
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			15.63%			16.20%
Aggregate (Default)			14.74%			15.40%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$50,393)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(0.45%)
B. Actual employer payroll	541,566
C. Payment to transition liability/(surplus)	(2,437)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(0.62%)
B. Actual employer payroll	605,394
C. Payment to transition liability/(surplus)	(3,753)
4. Supplemental payment to transition liability	0
5. Interest	(3,426)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$47,629)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(47,629)	(50,393)
2. Combined valuation payroll	1,258,195	1,025,512
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(0.35%)	(0.44%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,258,195	1,025,512
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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Portland, OR 97204-3654
503 227 0634

September 2014

Crook County/2044
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System ("PERS" or "the System") as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Crook County/2044

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Crook County/2044

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crook County -- #2044

September 2014

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Executive Summary

Milliman has prepared this report for Crook County to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crook County.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Crook County

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	16.45%	13.02%	16.45%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(10.29%)	(10.29%)	(10.29%)	(10.29%)	(10.29%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	11.27%	7.84%	11.27%	2.15%	6.26%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	11.80%	8.37%	11.80%	2.60%	6.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crook County

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$962,179	\$1,343,336
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(1,397,081)	(1,413,644)
Allocated pooled OPSRP UAL	89,727	92,475
Side account	0	0
Net unfunded pension actuarial accrued liability	(345,175)	22,167
Combined valuation payroll	1,269,018	1,312,019
Net pension UAL as a percentage of payroll	(27%)	2%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(10.29%)	(9.56%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$17,565	\$27,527
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

<i>(\$ in millions)</i>	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	297,242	52,374	17.89%	342,341	61,245
Tier 2 Police & Fire	15.63%	422,468	66,032	15.70%	409,903	64,355
Total Police & Fire		719,710	118,406		752,244	125,600
Total		\$719,710	\$118,406		\$752,244	\$125,600
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.45%			16.70%
Aggregate (Default)			16.45%			16.70%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$1,413,644)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(7.87%)
B. Actual employer payroll	649,725
C. Payment to transition liability/(surplus)	(51,133)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(10.08%)
B. Actual employer payroll	653,925
C. Payment to transition liability/(surplus)	(65,916)
4. Supplemental payment to transition liability	0
5. Interest	(100,486)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$1,397,081)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(1,397,081)	(1,413,644)
2. Combined valuation payroll	1,269,018	1,312,019
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(10.29%)	(9.56%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	1,269,018	1,312,019
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Crooked River Ranch Rural Fire Protection District/2647
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Crooked River Ranch Rural Fire Protection District/2647

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Crooked River Ranch Rural Fire Protection District/2647

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crooked River Ranch Rural Fire Protection District -- #2647

September 2014

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Executive Summary

Milliman has prepared this report for Crooked River Ranch Rural Fire Protection District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crooked River Ranch Rural Fire Protection District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Crooked River Ranch Rural Fire Protection District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	13.66%	13.02%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	(1.81%)	(1.81%)	(1.81%)	(1.81%)	(1.81%)
Transition liability/(surplus) rate ²	(1.36%)	(1.36%)	(1.36%)	(1.36%)	(1.36%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	15.60%	14.96%	18.45%	9.27%	13.38%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	16.13%	15.49%	18.98%	9.72%	13.83%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crooked River Ranch Rural Fire Protection District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$223,644	\$306,082
Allocated pre-SLGRP pooled liability/(surplus)	(56,985)	(59,235)
Transition liability/(surplus)	(42,999)	(44,033)
Allocated pooled OPSRP UAL	20,856	21,071
Side account	0	0
Net unfunded pension actuarial accrued liability	144,516	223,885
Combined valuation payroll	294,964	298,946
Net pension UAL as a percentage of payroll	49%	75%
Pre-SLGRP pooled rate	(1.81%)	(1.76%)
Transition rate	(1.36%)	(1.31%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$4,083	\$6,272
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	0	0	10.58%	0	0
Total General Service		0	0		0	0
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$0	\$0		\$0	\$0
Employer normal cost rate						
General Service			13.02%			13.34%
Police & Fire			16.51%			16.72%
Aggregate (Default)			13.66%			13.93%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$44,033)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.60%)
B. Actual employer payroll	140,734
C. Payment to transition liability/(surplus)	(2,252)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(1.35%)
B. Actual employer payroll	138,886
C. Payment to transition liability/(surplus)	(1,875)
4. Supplemental payment to transition liability	0
5. Interest	(3,093)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$42,999)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(42,999)	(44,033)
2. Combined valuation payroll	294,964	298,946
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(1.36%)	(1.31%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	294,964	298,946
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

Crystal Springs Water District/2571
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



September 2014
Crystal Springs Water District/2571

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Crystal Springs Water District/2571

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Crystal Springs Water District -- #2571

September 2014

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Executive Summary

Milliman has prepared this report for Crystal Springs Water District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Crystal Springs Water District.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Crystal Springs Water District

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(2.82%)	(2.82%)	(2.82%)	(2.82%)	(2.82%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	12.86%	12.86%	18.80%	9.62%	13.73%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	13.39%	13.39%	19.33%	10.07%	14.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Crystal Springs Water District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$153,249	\$321,992
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(61,058)	(62,370)
Allocated pooled OPSRP UAL	14,291	22,166
Side account	0	0
Net unfunded pension actuarial accrued liability	106,482	281,788
Combined valuation payroll	202,120	314,486
Net pension UAL as a percentage of payroll	53%	90%
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(2.82%)	(1.76%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$2,798	\$6,598
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$137,593	\$21,740
Tier 2 General Service	10.57%	96,817	10,234	10.58%	88,866	9,402
Total General Service		96,817	10,234		226,459	31,142
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$96,817	\$10,234		\$226,459	\$31,142
Employer normal cost rate						
General Service			10.57%			13.75%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			13.75%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$62,370)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(1.79%)
B. Actual employer payroll	165,021
C. Payment to transition liability/(surplus)	(2,954)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(2.15%)
B. Actual employer payroll	127,931
C. Payment to transition liability/(surplus)	(2,750)
4. Supplemental payment to transition liability	0
5. Interest	(4,392)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
<i>(1. - 2C. - 3C. - 4. + 5. + 6.)</i>	(\$61,058)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(61,058)	(62,370)
2. Combined valuation payroll	202,120	314,486
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(2.82%)	(1.76%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	202,120	314,486
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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Portland, OR 97204-3654
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September 2014

Curry Library/2718
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the System's benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), OPSRP, Retiree Health Insurance Account (RHIA), and Retiree Health Insurance Premium Account (RHIPA) programs can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Employer-specific weighted average Tier 1/Tier 2 normal cost rates,
- Transition liability or surplus balances and rate calculation,
- Side account balances, transactions and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

September 2014
Curry Library/2718

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, System benefit provisions as defined by statute, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

A valuation report is only an estimate of the System's financial condition as of a single date. It can neither predict the System's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of System benefits, only the timing of System contributions. While a valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.



September 2014
Curry Library/2718

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Larrabee".

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read "Scott D. Preppernau".

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

STATE AND LOCAL GOVERNMENT RATE POOL

Curry Library -- #2718

September 2014

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Executive Summary

Milliman has prepared this report for Curry Library to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 State and Local Government Rate Pool (SLGRP), Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance programs (RHIA and RHIPA),
- Provide employer-specific contribution rates effective effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts and pre-SLGRP liabilities as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statements Number 45.

This report summarizes the valuation results for the SLGRP, OPSRP, RHIA and RHIPA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops employer-specific side account and pre-SLGRP rates and applies the results from the system-wide valuation to Curry Library.

Executive Summary

Employer Contribution Rates

SLGRP employers have the option to elect separate Tier 1/Tier 2 rates to be applied to general service and police and fire payroll or to have the default blended rate apply to all Tier 1/Tier 2 payroll.

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Curry Library

	Payroll				
	Tier 1/Tier 2			OPSRP	
	Default	Optional Separate Rates		General Service	Police & Fire
	All T1/T2 Payroll	General Service	Police & Fire		
Pension					
Normal cost rate	10.57%	10.57%	16.51%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	4.50%	4.50%	4.50%	4.50%	4.50%
OPSRP UAL rate	0.61%	0.61%	0.61%	0.61%	0.61%
Pre-SLGRP pooled liability rate	0.00%	0.00%	0.00%	0.00%	0.00%
Transition liability/(surplus) rate ²	(53.69%)	(53.69%)	(53.69%)	(53.69%)	(53.69%)
Side account rate relief ²	0.00%	0.00%	0.00%	0.00%	0.00%
Net pension contribution rate	0.00%	0.00%	0.00%	0.00%	0.00%
Retiree Healthcare					
Normal cost rate	0.08%	0.08%	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.53%	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.53%	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The transition liability/(surplus) rate and side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to pre-SLGRP liabilities or side accounts. In addition, changes in an individual employer's workforce between Tier 1 and Tier 2 or between general service and police and fire can impact that employer's normal cost rate in a way that is not limited by the collar. The table below shows the possible minimum and maximum rates for the SLGRP first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets or pre-SLGRP liabilities.

For comparison, the Pool's funded status as of December 31, 2013 is 88%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	18.23%	18.23%
Minimum July 1, 2017 Rate	14.58%	10.93%
Maximum July 1, 2017 Rate	21.88%	25.53%

For individual employers in the SLGRP, these rates are adjusted to reflect the individual employer's normal cost rate, pre-SLGRP pooled liability rate, transition liability rate, and side account rate offsets.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
RHIA July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
RHIPA July 1, 2013 to June 30, 2015	0.00%	0.00%	0.00%
RHIA July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%
RHIPA July 1, 2015 to June 30, 2017	0.00%	0.00%	0.00%

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

Curry Library

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled SLGRP T1/T2 UAL	\$29,595	\$94,636
Allocated pre-SLGRP pooled liability/(surplus)	0	0
Transition liability/(surplus)	(224,281)	(223,368)
Allocated pooled OPSRP UAL	2,760	6,515
Side account	0	0
Net unfunded pension actuarial accrued liability	(191,926)	(122,217)
Combined valuation payroll	39,033	92,430
Net pension UAL as a percentage of payroll	(492%)	(132%)
Pre-SLGRP pooled rate	0.00%	0.00%
Transition rate	(53.69%)	(21.44%)
Side account rate relief	0.00%	0.00%
Allocated pooled RHIA UAL	\$540	\$1,939
Allocated pooled RHIPA UAL	\$0	\$0

UAL amounts for the various pools (SLGRP Tier 1/Tier 2 Pension, OPSRP, RHIA, and RHIPA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

SLGRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$398.2	\$424.1
Tier 1/Tier 2 valuation payroll	2,915.9	3,043.7
Normal cost rate	13.66%	13.93%
Actuarial accrued liability	\$31,738.8	\$30,601.9
Actuarial asset value	27,855.3	25,464.1
Unfunded actuarial accrued liability	3,883.5	5,137.8
Funded status	88%	83%
Combined valuation payroll	\$5,121.9	\$5,018.0
UAL as a percentage of payroll	76%	102%
UAL rate ¹	4.50%	4.24%
State and Community College Pre-SLGRP Pooled Liability	\$577.5	\$588.9
LGRP Pooled Liability	(242.7)	(246.7)
Total Transition Liability	(775.7)	(779.5)
Tier 1/Tier 2 Active Members		
▪ Count	42,668	46,437
▪ Average Age	51.9	51.6
▪ Average Service	17.8	17.2
▪ Average Valuation Payroll	\$68,339	\$65,545
Tier 1/Tier 2 Dormant Members		
▪ Count	20,897	22,891
▪ Average Age	54.1	54.2
▪ Average Monthly Benefit	\$1,298	\$1,353
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	75,014	70,892
▪ Average Age	70.2	70.1
▪ Average Monthly Benefit	\$1,992	\$1,944

¹ The December 31, 2013 UAL rate shown for the SLGRP includes 0.15% for Multnomah Fire District #10 (0.13% at December 31, 2012). The City of Portland pays an additional 1.14% and the cities of Fairview, Gresham, Troutdale, and Wood Village pay an additional 0.15% (1.03% and 0.13% respectively at December 31, 2012).

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Executive Summary

Principal Valuation Results (continued)

Retiree Healthcare

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIA		
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
RHIPA		
Normal cost	\$1.3	\$1.4
Tier 1 / Tier 2 valuation payroll	1,434.5	1,478.4
Normal cost rate	0.09%	0.09%
Actuarial accrued liability	\$61.2	\$60.3
Actuarial asset value	5.2	4.4
Unfunded actuarial accrued liability	55.9	55.9
Funded status	9%	7%
Combined valuation payroll	\$2,531.5	\$2,432.4
UAL as a percentage of payroll	2%	2%
UAL rate	0.35%	0.34%

RHIPA liabilities are allocated to State Agencies and the State Judiciary, the only employers participating in the RHIPA program.

Weighted Average Tier 1/Tier 2 Normal Cost

Pension

The normal cost represents the value of benefits assigned to the next year of service by the actuarial cost method. If all actuarial assumptions are met, the normal cost represents the amount that would need to be contributed each year to fund the benefits.

Members of the State and Local Government Rate Pool pay a payroll-weighted average normal cost rate using the normal cost rates developed for the pool for each tier and member classification. The table below shows the calculation of the individual employer's Tier 1/Tier 2 normal cost rate by member classification and in aggregate. The employer can elect to pay the member classification rates or the aggregate rate. For purposes of this calculation, all Community Colleges are treated as a single employer.

Development of Employer's Weighted Average Tier 1/Tier 2 Normal Cost Rate

	December 31, 2013			December 31, 2012		
	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost	SLGRP Normal Cost Rate	Employer Tier 1/Tier 2 Valuation Payroll	Normal Cost
Tier 1 General Service	15.39%	\$0	\$0	15.80%	\$0	\$0
Tier 2 General Service	10.57%	28,956	3,061	10.58%	24,300	2,571
Total General Service		28,956	3,061		24,300	2,571
Tier 1 Police & Fire	17.62%	0	0	17.89%	0	0
Tier 2 Police & Fire	15.63%	0	0	15.70%	0	0
Total Police & Fire		0	0		0	0
Total		\$28,956	\$3,061		\$24,300	\$2,571
Employer normal cost rate						
General Service			10.57%			10.58%
Police & Fire			16.51%			16.72%
Aggregate (Default)			10.57%			10.58%

An SLGRP employer that has no Tier 1/Tier 2 active payroll will be assigned the weighted average normal cost of the SLGRP as calculated in the system-wide report.

Transition Liability Information

Outstanding Balance of Transition Liability/(Surplus)

Upon joining the SLGRP, a transition liability or surplus was calculated to ensure that each employer entered the pool on a comparable basis. The transition liability is maintained separately from the SLGRP, and is reduced by contributions and increased for interest charges at the assumed interest rate. The table below shows the reconciliation of the transition liability or surplus from the last valuation to the current valuation. Transition liability or surplus rates shown below are those paid on Tier 1/Tier 2 payroll for the indicated periods. For some surplus employers, this rate may differ from the rate paid on OPSRP general service or OPSRP police and fire payroll. In those cases, the payment to transition (surplus) shown below is the payment reflecting the rates on different payroll.

	Transition Liability
1. Transition liability/(surplus) as of December 31, 2012	(\$223,368)
2. January 1, 2013 through June 30, 2013	
A. Transition liability/(surplus) rate	(14.24%)
B. Actual employer payroll	62,688
C. Payment to transition liability/(surplus)	(8,314)
3. July 1, 2013 through December 31, 2013	
A. Transition liability/(surplus) rate	(16.53%)
B. Actual employer payroll	44,149
C. Payment to transition liability/(surplus)	(6,905)
4. Supplemental payment to transition liability	0
5. Interest	(16,132)
6. Adjustment due to merged or spun-off employers	0
7. Transition liability/(surplus) as of December 31, 2013	
(1. - 2C. - 3C. - 4. + 5. + 6.)	(\$224,281)

Development of Transition Liability or Surplus Rate

The rate adjustment attributable to a transition liability or surplus is determined by amortizing the liability or surplus on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For employers joining the SLGRP prior to December 31, 2009, the fixed period ends December 31, 2027. For all others, the fixed period ends 18 years after the date the employer joined the pool.

	December 31, 2013	December 31, 2012
1. Total transition liability/(surplus)	(224,281)	(223,368)
2. Combined valuation payroll	39,033	92,430
3. Regular amortization factor	10.703	11.272
4. Total transition liability/(surplus) rate	(53.69%)	(21.44%)

Side Account Information

Reconciliation of Side Accounts

The following table reconciles the total side account from the beginning of the year to the end of the year. Side account transfers were calculated by PERS and made on a monthly basis. The amount of these transfers is shown in the table below.

All information in this table has been provided by PERS.

	New	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	0	0
Side Account 2	0	0
Side Account 3	0	0
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	39,033	92,430
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the total side account rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013 valuation can be found in the system-wide report.

Actuarial Methods and Valuation Procedures

A brief summary of the methods used in this valuation is shown below:

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization Method</i>	<p>The UAL is amortized as a level percentage of combined payroll.</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10 year period.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of combined valuation payroll over a closed 20 year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

A brief summary of the key economic assumptions used in this valuation is shown below:

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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