

Unfunded Actuarial
Liability Resolution
Program

Guide to Understanding Your Valuation

School Districts Pool

The purpose of this guide, created as part of PERS' Unfunded Actuarial Liability Resolution Program (UALRP), is to help employers identify and understand the most important information in your actuarial valuation.

Contents

Introduction	4
To learn more.....	4
Roles and responsibilities	5
The Oregon Legislature sets PERS' benefit design	5
PERS administers the system	5
Oregon State Treasury and Oregon Investment Council invest the money.....	5
Employers fund the system	5
School Districts Pool valuation.....	6
Key sections in the valuation	7
Executive Summary section.....	8
Principal Valuation section	11
Side Account Information section.....	14
Brief Summary section.....	16
Causes of rate change	18
Financial modeling presentation	18
Using the Employer Rate Projection Tool (ERPT).....	19
PERS resources	20
Glossary of actuarial terms.....	21

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List of figures

Figure 1: System-wide valuation report	4
Figure 2: Employer valuation report	4
Figure 3: How PERS is funded.....	5
Figure 4: Contents of report.....	6
Figure 5: Key sections.....	7
Figure 6: Advisory rates.....	8
Figure 7: Range of potential rates	10
Figure 8: Pool rates.....	11
Figure 9: Principal valuation results.....	12
Figure 10: Side account reconciliation.....	14
Figure 11: Side account rate.....	15
Figure 12: Brief summary of actuarial methods.....	16
Figure 13: Brief summary of changes.....	17
Figure 14: Guide to Financial Modeling.....	18
Figure 15: ERPT User Guide.....	19

Disclaimer

This guide is for employer educational purposes only and is not intended to provide legal or financial advice. If there is any conflict between this guide and federal law, Oregon law, or administrative rules, the laws and rules shall prevail.

About this guide

This guide is designed to explain PERS employer rate information in as simple terms as possible; therefore, some actuarial information is generalized and may not apply to all situations or employers.

Terms that are **cherry-red** colored are defined in the “Glossary” section at the end of this guide. Click a term to go to the definition.

Click “return to table of contents” in the footer of any page to return to the beginning of the guide.

Links to pages on the PERS website are included throughout to enable you to dive deeper into certain topics.

The charts and graphs in this document were prepared for discussion purposes by Milliman for PERS. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any recipient of this work product who desires professional guidance should engage qualified professionals for advice appropriate to its own specific needs.

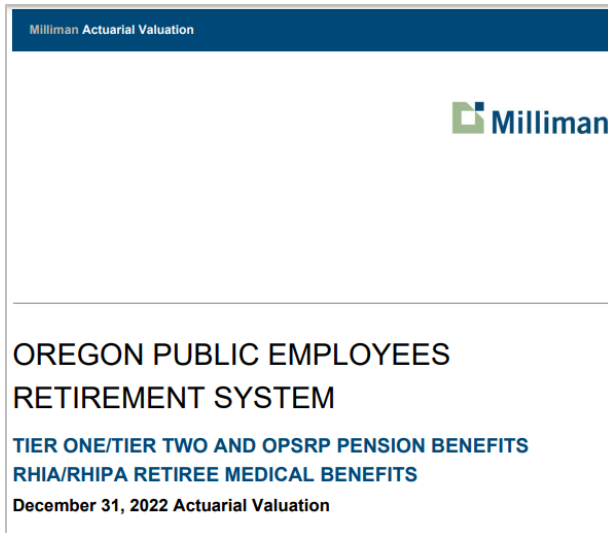
This guide is one of a series. To see the other guides, go to the [UALRP Educational Guides](#) section of the PERS website.

Assistance

If you have any questions or concerns about your specific scenario, email Actuarial.Services@pers.oregon.gov.

Introduction

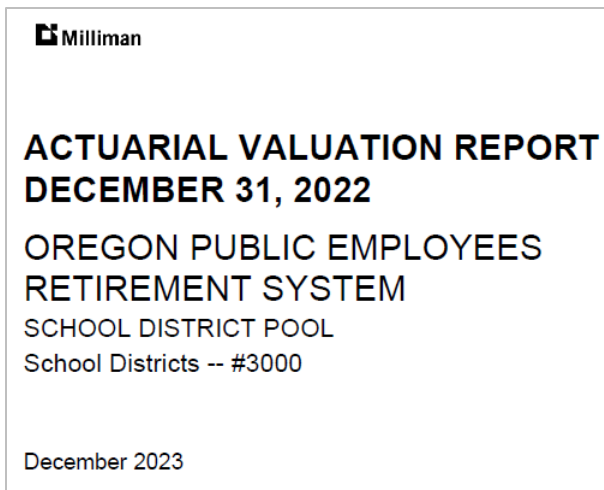
Every even-numbered year, PERS publishes a system-wide valuation report in addition to **actuarial valuation** reports for every PERS-participating employer. These reports are calculated and created by PERS' consulting **actuary**, based on information gathered the previous (odd) year. You can download your actuarial valuation report from the [PERS website](#).



The [system-wide valuation report](#) overviews the financial health of the PERS system and presents actuarial estimates of the system-wide liabilities and expenses of PERS, including pension benefits and retiree medical benefits.

It also provides information on systemwide average employer contribution rates and employer rates by pool.

Figure 1: System-wide valuation report



[Employer valuation reports](#) are informational supplements to the systemwide report. They provide details on employers' contribution rates and the data used to calculate the rates.

Valuation reports are grouped by pool:

1. State and Local Government Rate Pool employers.
2. School District Rate Pool employers.
3. Independent employers.

Figure 2: Employer valuation report

To learn more

If you have questions about any of the information in this guide or about your agency's particular situation, contact [Actuarial Services](#).

Roles and responsibilities

The Oregon Legislature sets PERS' benefit design

The Oregon Legislature is the “plan sponsor” for PERS, the system, and has the sole authority to determine the benefit structure for public employees.

When making legislative changes to PERS, legislators look to their constituents, lobbyists, and other stakeholders to provide them with information about upcoming bills during a legislative session.

To read about recent legislation affecting PERS, visit the [PERS Employers Senate Bill 1049 webpage](#).

PERS administers the system

PERS, the agency, administers the retirement system (aka, the plan) for employers and plan members. In doing so, PERS follows Oregon statutes, state laws, and federal laws.

PERS collects employer contributions, which are deposited into the PERS Fund, and sends retirees their pension and IAP checks. PERS provides information (through [oregon.gov/pers](#)) and web-based tools (i.e., OMS and EDX) that enable members and employers to manage their plans.

Oregon State Treasury and Oregon Investment Council invest the money

The [Oregon State Treasury](#) and [Oregon Investment Council](#) invest the money in the Oregon PERS Fund to get the greatest return without incurring excessive risk. To learn more about how the PERS Fund is invested, go to the [PERS Fund/Investments webpage](#).

Employers fund the system

Employers pay for the retirement benefits of their future retirees. To understand how your contribution rates are calculated, see the [Guide to Understanding Your Rate](#).

Find your current rates on the [Employer Contribution Rates webpage](#).

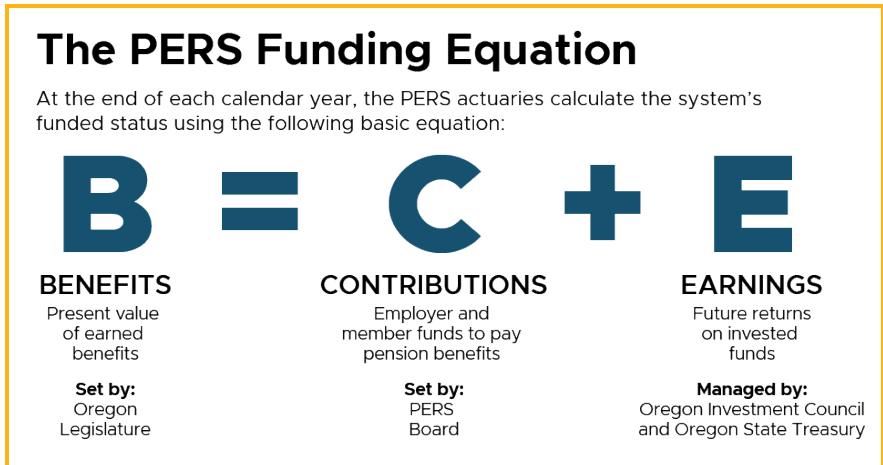


Figure 3: How PERS is funded

School Districts Pool valuation

Your School Districts Pool valuation is a document containing about 20 pages; however, most of the essential information you need is on just three to five pages, depending on your individual rates.

This UALRP guide provides images from a sample actuarial valuation to highlight the most essential pages of your valuation. This helps ensure that you are fully optimizing available data for budgeting and forecasting purposes.

Page 1 of your valuation report summarizes the content provided in the report.

Contents of Report

The executive summary provides the basic information you need, including:

- Contribution rates for Tier One/Tier Two, OPSRP general service, and OPSRP police and fire payroll, and
- A summary of principal valuation results.

The remainder of the report provides additional information including:

- Side account balances, transactions, and rate relief,
- A brief summary of methods and assumptions, and
- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide actuarial valuation report, which is available at www.oregon.gov/PERS/Pages/Financials/Actuarial-Financial-Information.aspx.

Figure 4: Contents of report

Key sections in the valuation

To pull out the most useful information from your valuation report, focus on the sections called out in the valuation table of contents below.

CONTENTS	
Executive Summary	1
<i>Employer Contribution Rates</i>	2
<i>Accounting Information</i>	4
<i>Principal Valuation Results</i>	5
▪ Employer	5
▪ SLGRP	6
▪ OPSRP	7
▪ Retiree Healthcare	8
Weighted Average Tier 1/Tier 2 Normal Cost	9
Transition Liability Information	10
Side Account Information	11
Brief Summary of Actuarial Methods and Assumptions	13
Brief Summary of Changes in Plan Provisions	15
Glossary	16

A	Executive Summary: This section provides all of your basic information: your employer rates, your funded status , and the data that was used to determine most of these rates.
B	Principal Valuation Results and Side Account Information: These pages give details on how your employer-specific rates were calculated. These rates are based on your combined valuation payroll .
C	Brief Summary sections: These sections include a brief summary of the changes to actuarial methods and/or assumptions and any plan changes that may have affected your rate.

Figure 5: Key sections

Executive Summary section

Employer Contribution Rates

This page details the individual rates that make up your total net **contribution rate**. In the valuation, there are separate pages that explain the rate calculations for the **normal cost rate** and **side account rate** because they are employer-specific and are based on your payroll and specific amortization factor.

The calculations for the normal cost rate, Tier One/Tier Two **UAL rate**, Oregon Public Service Retirement Plan (OPSRP) UAL rate, **Member Redirect offset**, and Retiree Healthcare UAL rates are available in the [system-wide valuation](#).

	Payroll		
	Tier One/Tier Two	OPSRP A	
		General Service	Police & Fire
Pension			
Normal cost rate	15.76%	10.55%	15.14%
Tier One/Tier Two UAL rate ¹ B	13.95%	13.95%	13.95%
Multnomah Fire District #10 UAL rate	0.08%	0.08%	0.08%
OPSRP UAL rate	2.62%	2.62%	2.62%
Side account rate relief ²	0.00%	0.00%	0.00%
Member redirect offset ³	(2.40%)	(0.65%)	(0.65%)
Net employer pension contribution rate	30.01%	26.55%	31.14%
Retiree Healthcare C			
Normal cost rate	0.04%	0.00%	0.00%
UAL rate D	(0.04%)	0.00%	0.00%
Net retiree healthcare rate	0.00%	0.00%	0.00%
Total net employer contribution rate	30.01%	26.55%	31.14%
¹ Includes any impact of rate collar developed in the system-wide actuarial valuation report. ² The side account rate relief shown may be reduced such that the net pension contribution rate does not go below 0.00% E ³ Redirected member contributions under Senate Bill 1049 (2.50% of payroll for Tier One/Tier Two and 0.75% of payroll for OPSRP) will offset employer contribution rates. Redirect does not apply to members with monthly pay below a threshold. The values shown in the table incorporate an estimate of the effect of this limitation.			
A	All employers pay the same OPSRP normal cost and UAL rates because OPSRP is a pool, similar to the School Districts Pool.		
B	All School District Pool members pay the same Tier One/Tier Two normal cost and UAL rates.		

Figure 6: Advisory rates

Continued

C	Retiree Healthcare is also a pool. All employers with Tier One/Tier Two payroll pay the same RHIA normal cost.
D	RHIA is currently funded at more than 100%. That is why there is no UAL rate assigned. If RHIA did have a UAL, that would be charged to OPSRP payroll as well. UAL is charged across all payrolls, which you can see with the OPSRP and Tier One/Tier Two UAL rate.
E	<p>The fine print:</p> <ol style="list-style-type: none">1. As part of 2003 legislation, the UAL for Multnomah Fire District #10 was allocated to all Tier One/Tier Two employers. Some employers are mandated to pay slightly more than others, but most employers of Tier One/Tier Two employees pay 0.15%.2. An employer's net rate cannot be 0%. To prevent this, offsets or surpluses cannot be applied to the retiree healthcare rate. In the event that RHIA has a 0% normal cost rate, contribution rates will be adjusted to prevent a 0% net rate.3. The Member Redirect offset reduces your normal cost rate.

Range of Potential Tier One/Tier Two Contribution Rates

Important for budgeting and forecasting.

The Range of Potential Tier One/Tier Two Total Pension Contribution Rates section indicates the pool’s minimum and maximum rates for 2025-27 under various funding scenarios. In December of each year, the PERS actuary provides a financial modeling presentation that projects where they think the system will be, including **funded status**.

Learn more about the financial modeling presentation in [Understanding Financial Modeling](#).

Once the contribution rates for the next biennium are known, you can enter these rates into your rate projection tool or the PERS Employer Rate-Projection Tool to anticipate the effect they will have on future budgets.

Range of Potential Tier One/Tier Two UAL Contribution Rates for the July 2025 to June 2027 Biennium

The rate collar limits changes in the Tier One/Tier Two UAL Rate for the rate pool, but does not limit changes in rates for individual employers related to side accounts and does not limit the change in the normal cost rate. The table below shows the possible minimum and maximum Tier One/Tier Two UAL Rates for the School District Pool first effective as of July 1, 2025. The collar width, which in general is the amount the UAL Rate could increase or decrease from the current UAL Rate being paid, is 3% of pay. However, the UAL Rate is only allowed to decrease by the full collar width if the funded status (excluding side accounts) of the School District Pool is greater than or equal to 90%. The UAL Rate is not allowed to decrease at all if funded status is below 87%, and the allowable decrease is phased in for funded status levels from 87% to 90%.

For reference, the Pool's funded status excluding side accounts as of December 31, 2022 is 76%. A

2023-2025 Biennium	2025-2027 Biennium	
	16.95%	<<<No higher than this
13.95%	13.95%	<<<No lower than this if December 31, 2023 funded status is 87% or lower
	10.95%	<<<No lower than this if December 31, 2023 funded status is 90% or higher

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset to determine the individual district's net contribution rate.

A

As a member of the pool, you don’t have an individual funded status. Your assets and liabilities are combined with all other School District Pool members. Your funded status is the same as the status of the pool.

Figure 7: Range of potential rates

Principal Valuation section

The School District Pool’s Tier One/Tier Two rates are established at a pool level, combining each school’s assets and liabilities together to determine the different variables that contribute to each rate, detailed in the School District Pool chart in your valuation.

<i>School District Pool</i>		Actuarial Valuation as of	
		December 31, 2022	December 31, 2021
(\$ in millions)			
Normal cost A		\$188.3	\$176.1
Tier One/Tier Two valuation payroll B		1,195.0	1,216.3
Normal cost rate C		15.76%	14.48%
Actuarial accrued liability D		\$32,457.6	\$31,865.4
Actuarial asset value		24,603.8	26,208.7
Unfunded actuarial accrued liability		7,853.8	5,656.7
Funded status E		76%	82%
Combined valuation payroll F		\$4,617.1	\$4,141.8
UAL as a percentage of payroll		170%	137%
UAL rate (includes Multnomah Fire District #10)		14.03%	14.10%

A	Normal cost is the value of benefits assigned to the next year of service.
B	Tier One/Tier Two valuation payroll: Valuation payroll takes the reported payroll for the prior calendar year and projects the next calendar year’s payroll. The projection includes the actuary’s assumptions on wage and salary growth and any demographic changes. The Tier One/Tier Two valuation payroll amount listed here is the entire active Tier One/Tier Two payroll for all PERS School District Pool members.
C	Normal cost ÷ Tier One/Tier Two valuation payroll = normal cost rate.
D	As mentioned, the pool combines all of the pool members’ liabilities (i.e., the value of prospective benefits allocated to service and compensation before the valuation date) and assets (i.e., expected contributions). Subtracting liabilities from assets determines the pool’s UAL amount.
E	The funded status is determined by dividing the assets by the liability.
F	Combined valuation payroll represents the entire payroll for the pool. Combined valuation payroll is not the same as subject salary; rather, it is the projected payroll for the next year including the actuary’s assumptions on salary and wage growth as well as demographic changes. Actual experience will be adjusted in subsequent valuations.

Figure 8: Pool rates

Principal Valuation Results

This section only applies if you have a side account. If you do not have a side account, use the valuation report for employer #3000.

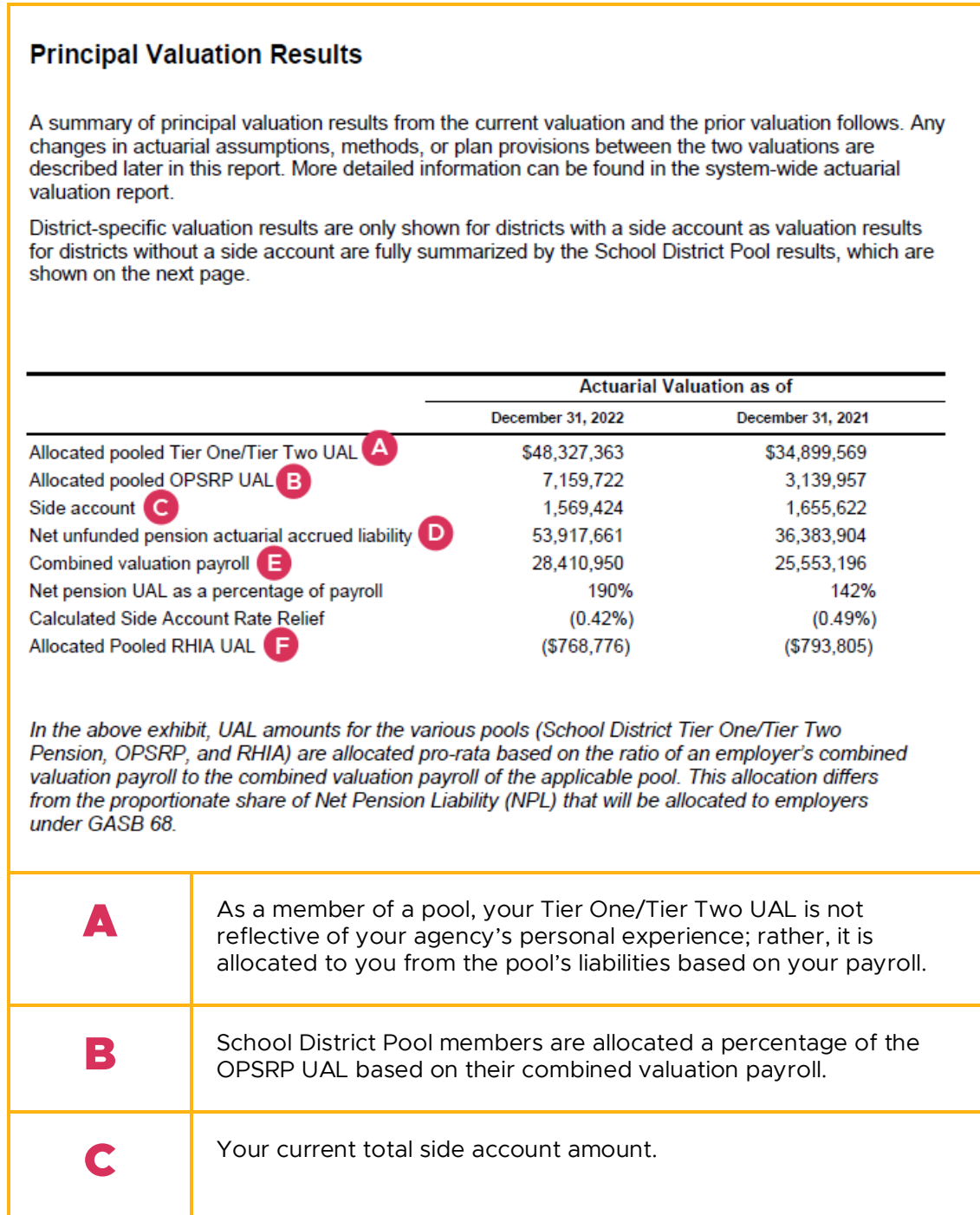


Figure 9: Principal valuation results

Continued

D	This amount is the result of adding all of the elements preceding this line together (subtracting the side account amount, if you have one). You may have positive or negative numbers. The net result is your actuarial accrued liability, which reflects your pooled liabilities as well as your individual liabilities and assets. The Tier One/Tier Two UAL and OPSRP UAL already account for employer contributions at the pool level.
E	<p>Combined valuation payroll represents the entire payroll for the pool. Combined valuation payroll is not the same as subject salary; rather, it is the projected payroll for the next year including the actuary's assumptions on salary and wage growth as well as demographic changes. Actual experience will be adjusted in subsequent valuations.</p> <p>This is the single greatest factor employers can control. While the actual amount is a projection, if you have a significant change in your payroll, it will affect the calculation for many of your individually calculated rates such as normal cost and a side account rate-relief offset. Your combined valuation payroll also determines how much of each pool's UAL is allocated to you.</p>
F	As with Tier One/Tier Two UAL and OPSRP, this is the allocated portion of the RHIA pool's UAL based on your combined valuation payroll. It is negative because the pool is currently fully funded. It is not factored into your net pension UAL.

Side Account Information section

Valuations are the only time you are given an accurate update on your side accounts.

This section of the valuation shows all the data the actuary used to calculate your side account rate. You can compare the two years to determine why there may be an increase or decrease in your offset.

Reconciliation of Side Accounts

Reconciliation of Side Accounts

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

All information in this table has been provided by PERS.

	New A	Continuing	Total
1. Side account as of December 31, 2021	N/A	\$1,655,622	\$1,655,622
2. Deposits during 2022			
3. Administrative expenses		(500)	(500)
4. Amount transferred to employer reserves during 2022		(55,484)	(55,484) B
5. Side account earnings during 2022		(30,214)	(30,214)
6. Side account as of December 31, 2022 (1. + 2. + 3. + 4. + 5.)		\$1,569,424	\$1,569,424 C

A

The New column lists any new side accounts added during the valuation year. The Continuing column lists existing side accounts. In the event that an employer has activity in both the New and Current columns, the total will be listed in the Total column.

B

This is the amount that was used to offset this employer's rates in the past year.

C

This is the side account balance used to calculate your side account rate.

Figure 10: Side account reconciliation

Development of side account rate

Using the reconciliation information from the prior page, along with your combined valuation payroll, the actuary displays the information used to develop your side account rate offset in this table. If you have more than one side account, you will see the balance for each side account. The actuary will also provide the amortization factor and the individually calculated rate for each side account.

December 31, 2022			December 31, 2021			
Combined valuation payroll		\$28,410,950 A	Combined valuation payroll		\$25,553,196	
	Side account balance	Amortization factor ^{1,2}	Side account rate ¹	Side account balance	Amortization factor ^{1,2}	Side account rate ¹
1.	\$1,569,424	13.152	(0.42%)	\$1,655,622	13.353	(0.49%)
2.	0		0.00%	0		0.00%
3.	0		0.00%	0		0.00%
4.	0		0.00%	0		0.00%
5.	0		0.00%	0		0.00%
Total	\$1,569,424		(0.42%) B	\$1,655,622		(0.49%)

¹ Amortization factor and side account rate not shown for side accounts with less than two years remaining in the amortization period
² Effective December 31, 2022, includes adjustment for contribution lag as described in the system-wide actuarial valuation report

A	The actuary provides data for the year that they used for the current valuation and the prior valuation. You should use this data for a quick comparison to determine why your rate may be higher or lower than expected.
B	This is your projected side account rate for the next biennium. Side account rate offset = side account balance ÷ combined valuation payroll ÷ amortization factor. If you have multiple side accounts, your side account rates are added together to determine your total rate offset.

Figure 11: Side account rate

Brief Summary section

Actuarial Methods and Assumptions

This page explains the PERS Board-approved methods and assumptions the actuary used to develop employer contribution rates. The board reviews the methods and assumptions every even-numbered year. Any changes are incorporated and modeled in the advisory valuation before being implemented in the rate-setting valuation.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2022 valuation can be found in the system-wide actuarial valuation report.

Actuarial Methods and Valuation Procedures

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

<i>Actuarial cost method</i>	Entry Age Normal.
<i>Amortization method</i>	<p>The UAL is amortized as a level percentage of combined payroll. A</p> <p>The OPSRP UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 16 year period.</p> <p>The Retiree Healthcare UAL as of December 31, 2007 and experience in each subsequent biennium is amortized over a closed 10-year period. If a Retiree Healthcare program is over 100% funded the actuarial surplus is amortized over a rolling 20-year period over Tier One/Tier Two payroll.</p> <p>Senate Bill 1049 was signed into law in June 2019 and required a one-time re-amortization of Tier One/Tier Two UAL over a closed 22-year period at the December 31, 2019 rate-setting actuarial valuation, which set actuarially determined contribution rates for the 2021-2023 biennium. Future Tier One/Tier Two gains and losses between subsequent odd-year valuations will be amortized as a level percentage of projected combined valuation payroll over a closed 20-year period.</p>
<i>Asset valuation method</i>	Market value of assets, excluding reserves.
<i>Contribution rate stabilization method (rate collar)</i>	<p>The contribution rate stabilization method, also referred to as the rate collar, is applied separately to OPSRP and to each Tier One/Tier Two experience sharing pool (State and Local Government Rate Pool, School Districts) and independent employer. The UAL Rate contribution rate component is confined to a collared range based on the prior biennium's collared UAL Rate and a defined collar width. The UAL Rate is not allowed to decrease if the funded status of the rate pool or employer is 87% or lower. The rate collar does not limit the change in the normal cost rate or changes for individual employers related to side accounts.</p>

Economic Assumptions **B**

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

<i>Investment return</i>	6.90% compounded annually on system assets.
<i>Interest crediting</i>	6.90% compounded annually on members' regular account balances. 6.90% compounded annually on members' variable account balances.
<i>Inflation</i>	2.40% per year.
<i>Payroll Growth</i>	3.40% per year.
<i>Healthcare cost trend</i>	Ranging from 6.6% in 2023 to 3.8% in 2074.
<i>Administrative Expenses</i>	\$64 million per year is added to the total system normal cost and allocated between Tier One/Tier Two and OPSRP based on valuation payroll.

A	The amortization periods are different for Tier One/Tier Two, OPSRP, and Retiree Healthcare. That makes a big difference when incorporating legislative changes or changes that fall outside of actuarial assumptions. For example, if there is a significant salary increase across all payrolls, OPSRP may see more of that increase in their rates because they are only amortized over 16 years. However, they will also resolve that increase over a shorter period of time and have less legacy debt.
B	The biggest factor affecting the economic assumptions is the net investment return rate, which is also the assumed rate for interest crediting.

Figure 12: Brief summary of actuarial methods

Changes

This page in your valuation describes changes in methods and assumptions since the last valuation.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2021 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

- An adjustment was added to the side account amortization calculations and Pre-SLGRP liability and surplus calculations to reflect the delay between when a rate is calculated and when it takes effect.
- The timing of the amortization period for Pre-SLGRP liabilities and surpluses for SLGRP employers was revised to align with the biennial rate-setting cycle.

Changes in Economic Assumptions

- Assumed administrative expenses were updated to a combined assumption of \$64 million for Tier One/Tier Two and OPSRP.
- The assumed healthcare cost trend rates for the RHIPA program were updated.

Changes in Demographic Assumptions

- The merit/longevity component assumption of individual member salary increases was updated for all groups, including adding a select assumption of an additional 2% for all members for two years.
- The mortality improvement projection scale applied to all groups is based on 60-year unisex average mortality improvement rates by age. The assumption was updated to reflect publicly available data through 2019. For a complete table of rates, please refer to the 2022 Experience Study for the System, published in July 2023.
- Termination, disability and retirement rates were updated for some groups to more closely match observed and anticipated future experience.
- Assumptions for unused sick leave and vacation pay were updated.
- Participation assumptions for both RHIA and RHIPA were updated.

A complete summary of all assumptions used as part of the December 31, 2022 actuarial valuation is contained in the system-wide actuarial valuation report.

Figure 13: Brief summary of changes

Talking points

Causes of rate change

- Remember that the biggest factor an employer controls is the **combined valuation payroll**. If there is a significant change in your rate, compare the combined valuation payroll in the last rate-setting valuation to the one in the most recent rate-setting valuation. The actuary accounts for 3.4% payroll growth per year.
- Determine if there was or is now a **rate collar** applied to the rate. Rate collars are calculated for Tier One/Tier Two UAL increases as well as OPSRP increases. If a rate collar is justified, it will be applied to the applicable UAL rate.

For additional explanations of changes in the system rates:

- [System-Wide Valuation Report](#): Click the current year and then the document called “System-Wide [year] Valuation Report.”
- [Actuary presentations to the PERS Board](#): Click on a meeting date to open the packet, which includes the actuary’s presentation of the valuation report.
- [Employer Rate Summary](#): This website documents the changes that occurred since the last rate-setting valuation, including legislative changes.

Financial modeling presentation

For more explanations about changes in system rates, refer to the [Guide to Financial Modeling](#) available on the UAL Resolution Program webpage.

The guide provides explanations of the latest financial modeling information, as presented by the PERS actuary to the PERS Board at the end of each year. The guide explains how current assumptions and projections will affect the unfunded actuarial liability (UAL), base and net rates, and funded status over a long period of time.

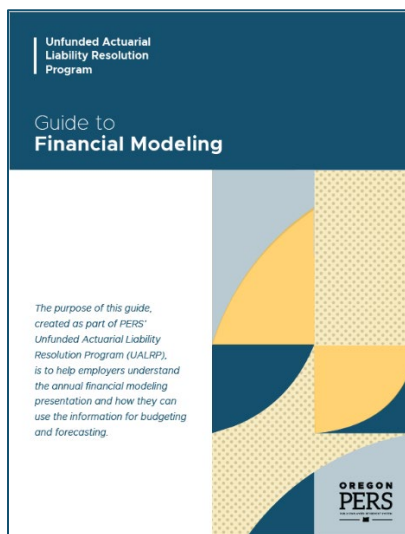


Figure 14: Guide to Financial Modeling

Using the Employer Rate Projection Tool (ERPT)

Using the information shared in this guide, consider using the PERS Employer Rate Projection Tool to forecast your future contributions.

We encourage you to use the [User Guide](#) and the [Employer Rate Projection Tool](#) to enhance your current budget and forecasting tools and better manage your contribution rates over time. Of course, we cannot provide any budget advice nor guarantee any actuarial outcome; however, we are pleased to provide greater detail to empower you and your boards to make more informed decisions.

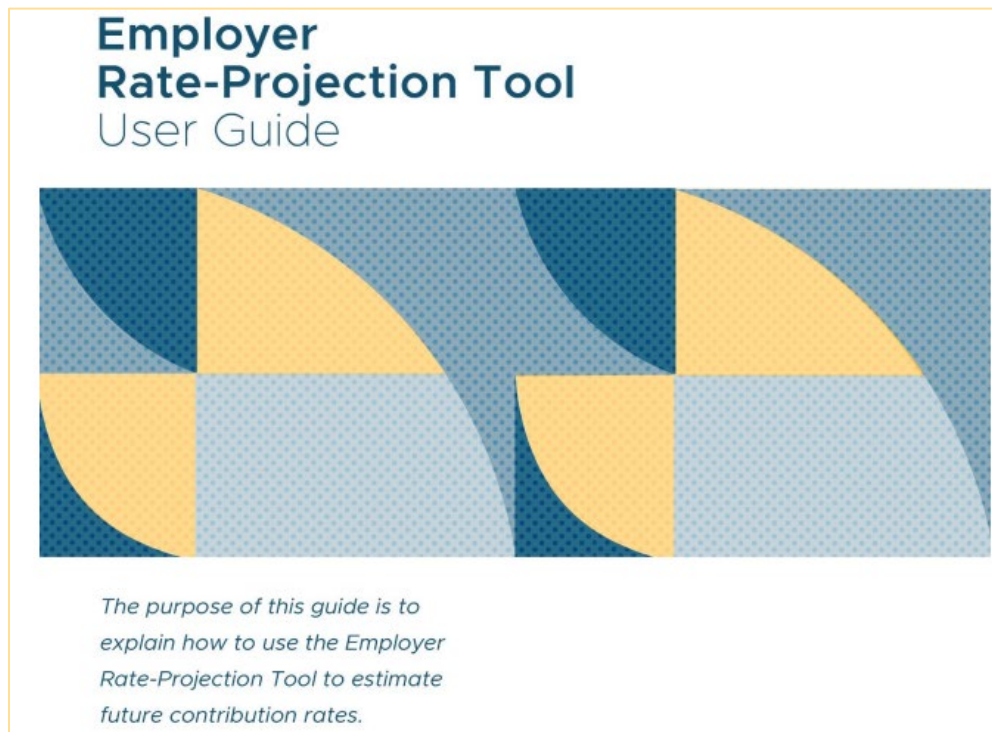


Figure 15: ERPT User Guide

PERS resources

[Actuarial & Financial Information webpage](#)

[Employer actuarial valuation reports](#)

[Employer contribution rates](#)

[*Guide to Understanding Your Rate*](#)

[Legislation Impacting PERS webpage](#)

[Senate Bill 1049 \(2019\) – Information and Implementation for PERS Employers webpage](#)

[Side Accounts webpage](#)

[System-Wide 2022 Actuarial Valuation Report](#)

Glossary of actuarial terms

Actuarial accrued liability

Accrued liabilities are the present value of either promised pension benefits or pension obligations. Every year, the PERS plan's actuary calculates the total value of liabilities that have accrued and uses this figure to determine the plan's unfunded liability.

Actuarial valuation

An actuarial valuation is an appraisal of a pension fund's assets and liabilities. A consulting actuary calculates the valuation using assumptions about future economic and demographic conditions to determine the funded status of a pension plan.

Actuary

An actuary uses math, statistics, and financial theory to study uncertain future events, especially those of concern to insurance and pension programs.

Advisory rate

In the fall of odd-numbered years, the PERS actuary produces advisory employer contribution rates for all employers for the upcoming biennium. These rates represent actual experience but will not affect your rate.

Amortize/amortization

Amortization is an accounting technique used to spread costs over time that could compromise current cash flow, like a mortgage on a house.

Assets

Your assets are the money going into your pension, such as your employer contributions and earnings on investments.

Assumed rate

The assumed rate is the rate of investment return (including inflation) that the PERS Fund's regular account is expected to earn over the long term.

The PERS Board decides the assumed rate based on:

- The long-term projection of investment returns based on the asset allocations of the Oregon Investment Council and the related capital market expectations.
- PERS' actuary's independent analysis of the projected returns from that asset allocation over a long-term investment horizon.

The current assumed rate is 6.9%, which has been in effect since January 1, 2022. The assumed rate is reviewed, adopted, and incorporated into Oregon Administrative Rule by the PERS Board every two years as part of the system's [Experience Study](#).

Combined valuation payroll

Projected payroll as calculated by the PERS consulting actuary for the calendar year following the valuation date for Tier One, Tier Two, and OPSRP active members. This payroll is used to calculate UAL rates and is based on the actual payroll reported by the employer.

Contribution rate

An employer's contribution rate is the percentage of payroll you pay to PERS to fund the pension benefits of your employees. It does not include the 6% Individual Account Program (IAP) contribution, even if you are paying it on your employees' behalf.

Experience

Experience refers to the actual financial performance of a plan over a year. To project the cost and liabilities of the pension plan, assumptions are made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated. Each year, actual experience is compared against the projected experience, and to the extent there are differences, the future contribution requirement is adjusted.

Funded status

The actuarial value of assets expressed as a percentage of the accrued liability. In other words, how close an employer, pool, or the PERS system is to being able to pay all of the benefits it owes to past and current members. As of December 31, 2022, the system-wide PERS' funded status was 72.8% without side accounts and 78.8% with side accounts.

Each pool also has its own individual funded status:

	SLGRP	School Districts	Independents
Without side accounts	70.6%	75.8%	68.2%
With side accounts	75.9%	85.9%	73.3%

Geometric average return

This represents the rate of return on investment per year, averaged over a specified time period. For valuation purposes, this is the rate of return averaged over the 20-year amortization period.

Liability

For PERS' actuarial purposes, liabilities represent pension obligations, such as normal cost, benefit payments, demographic experience changes, and/or plan changes.

The employer contribution rates that the PERS actuary creates are all future based. The actuary takes data for a year that passed (e.g., 2021) and projects the correct rate to cover benefit needs 18 months in the future (e.g., 2023–25). It does this by establishing actuarial assumptions, one of which is the assumed rate of 3.4% for salary wage growth. There will be variance year to year, but over a 20-year period the rates average out.

Member Redirect offset

This offset in employer rates is a result of the Member (IAP) Redirect program established by Senate Bill 1049. For all PERS members earning equal to or more than the monthly salary threshold, Member Redirect takes a portion of their 6% IAP contribution and redirects it to a new Employee Pension Stability Account (EPSA). The funds in each member's EPSA will be used to help pay for their future pension benefits, which helps reduce employer rates.

Normal cost

The normal cost is the value of benefits for an employer's current members for the next year of service. If all current actuarial assumptions were met, the normal cost would be the only rate an employer would pay.

Normal cost rate

Your normal cost, divided by your applicable payroll, is your normal cost rate.

Rate collar

Rate collar is a method of stabilizing contribution rates by preventing sudden rate spikes and drops. The current policy limits only the UAL rate. The collar width varies by pool.

For details, read "Rate-Collar Methodology Updated" in the [August 2021 Employer News](#).

Side account rate

Rate relief attributable to an employer's side account. See [Side Account webpage](#).

Subject salary

Subject salary is an employee's pay and value-added benefits that are included when calculating retirement benefits and that are subject to PERS contributions.

Transition liability/surplus

When an employer joins the SLGRP, a transition liability or surplus is calculated to ensure that each employer enters the pool on a comparable basis.

The transition liability or surplus for each employer is maintained separately from the Tier One/Tier Two UAL for the SLGRP.

UAL

Unfunded actuarial liability (UAL) is the difference between accrued assets (employer contributions and investment earnings) and accrued liabilities (cost of pension benefits earned). If liabilities are larger than assets, that creates debt (i.e., a UAL) that must be paid.

UAL payments are divided equitably among pool members as a percentage added to each pool member's normal cost rate.

UAL rate

The UAL rate is determined by calculating the sum of next year's scheduled amortization payments to the UAL as a percentage of combined valuation payroll.

Each pool member pays the same UAL rate regardless of the size of the employer.