



School District Rate Collar & SB 849

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

Presented by:

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April 3, 2026

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Introduction / Summary – School Districts & SB 849

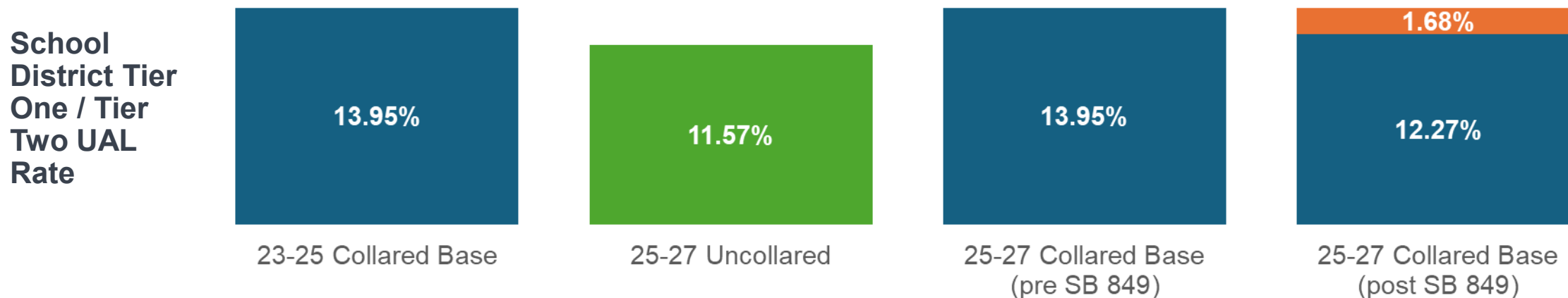
- Today's material is intended as an information / discussion item
 - We will request action by May to guide our calculations of 2027-29 employer rates
 - 2027-29 rates will be set by the 12/31/2025 rate-setting actuarial valuation
- 2027-29 UAL rates charged to school districts will be set by the rate collar's "floor"
 - Due in part to good trailing two, four, and six-year investment returns
- The 2027-29 rate collar "floor" could be set at one of two possible policy levels
 - 13.95% of payroll rate paid by districts during 2021-2023 and 2023-25
 - 12.27% of payroll rate paid by districts during 2025-27, reflecting SB 849's relief
- In our opinion, both policy options are actuarially sound
 - Each is projected to fully amortize Tier One/Tier Two UAL within 15 years
 - The higher policy level is projected to fully amortize 1-2 years more quickly

Background

- In last year's experience study, we discussed with the Board the effect of SB 849, which provided school districts with 2025-27 funding relief
 - Applied the balance of the school district unfunded liability fund (SDULF) as an offset to the calculated collared 2025-27 employer contribution rate
 - Reduction applied to the Tier One/Tier Two UAL Amortization Rate (UALR)
- Board provided preliminary direction to use in 12/31/2024 advisory valuation
 - We used a 13.95% of payroll rate as the collar's policy floor for 2027-29
 - Reserved the right to consider again for 12/31/2025 rate-setting valuation once more information, especially actual 2025 investment returns, was known
 - The 12/31/2025 valuation, to be published later this year, will set 2027-29 rates

Effect of SB 849 on 2025-27 Collared Base UALR

- SB 849 provided non-employer funding to help pay 2025-27 UALR
 - School district unfunded liability fund (SDULF) contribution of \$168 million
 - SDULF reduced employer 2025-27 Collared Base UALR by 1.68% of payroll
 - Reduced employer 2025-27 UALR to 12.27% of payroll (was 13.95% pre-SB 849)
 - **SB 849's employer rate reduction reflected in amended rate orders for 2025-27**



SB 849's Effect on 2027-29 Tier One/Tier Two UAL Rate (UALR)

- 27-29 School District UALR will be calculated in the December 31, 2025 actuarial valuation
- 27-29 Uncollared UALR will continue to be calculated as the pure actuarial rate
- 27-29 Collared Base UALR methodology is a PERS Board policy decision
 - The policy decision is where to set the collar's floor for 2027-29 Collared Base UALR

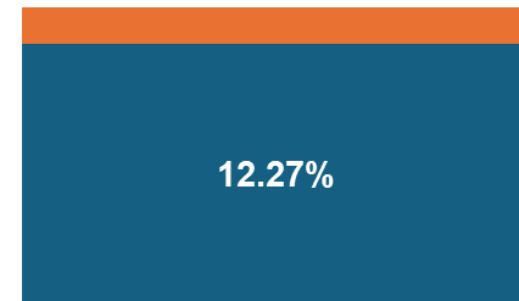
School
District Tier
One / Tier
Two UAL
Rate



25-27 Uncollared



25-27 Collared Base
(pre SB 849)



25-27 Collared Base
(post SB 849)

Equivalent of
1.68% of pay
25-27 funding
from SB849

Additional SDULF Contribution for 2027-29

- We understand from PERS staff that at least \$149 million in additional SDULF balance is now projected available to offset post 2025-27 School District rates
 - Will provide an offset to SD UALR in 2027-29 biennium
 - Rate offset will be estimated with 2027-29 rates proposed for adoption in September
 - 2027-29 offset may be updated in early 2027 if additional funds are received

Reflecting SB 849's Effect in 2027-29 UALR

- The 25-27 Collared Base UALR sets a floor for the 27-29 Collared Base UALR
 - **The floor could be either 12.27% of payroll or 13.95% of payroll** (policy choice)
 - 12.27% is the actual 25-27 UALR contribution of school district employers after SB 849
 - 13.95% is the combined 25-27 amortization contribution of employers and the SDULF
 - **Either floor is above the most recently calculated pure actuarial (i.e., uncollared) rate**

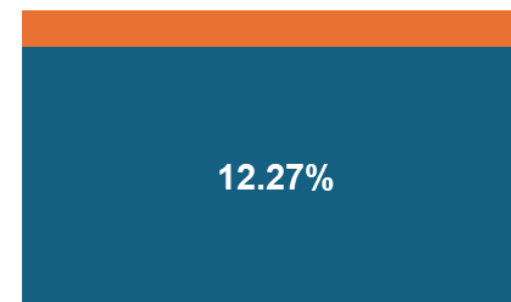
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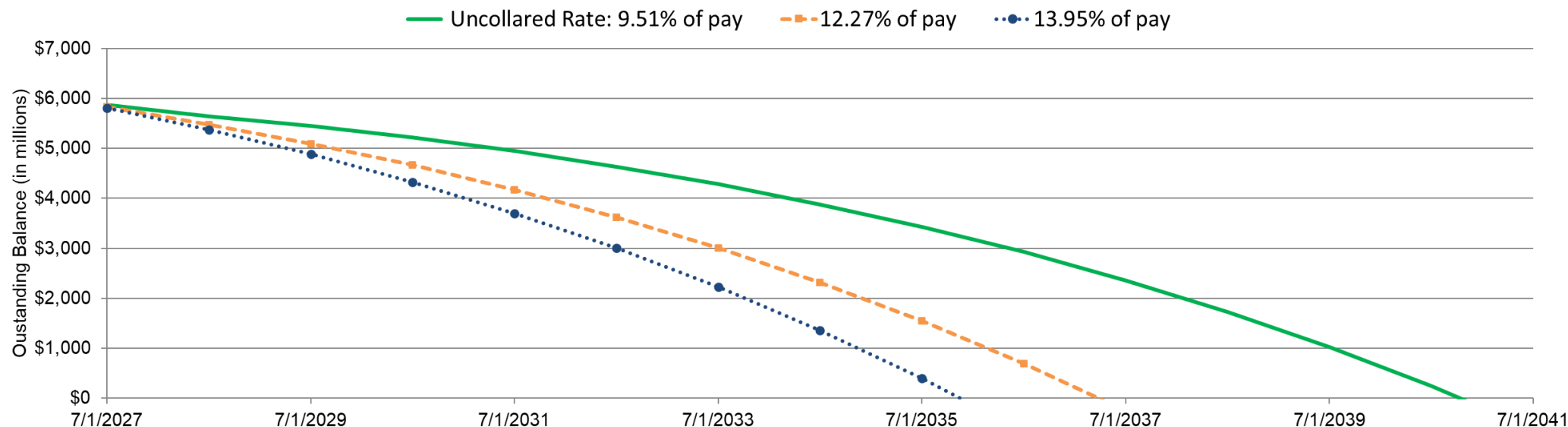
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Reflecting SB 849's Effect in 27-29 UALR

Illustration based on estimated 12/31/2025 results – will be updated in upcoming valuation

- The chart illustrates a **simplified hypothetical** amortization of School District Tier One/Tier Two UAL projected to July 1, 2027 assuming all post-2025 experience matches valuation assumptions
- Assumes illustrated rates take effect July 1, 2027 and do not subsequently change
 - Disregards collar policy that allows rate decreases below the floor when funded status is near or over 90%
- Estimated uncollared rate of 9.51%, which is below either potential floor, completes amortization by 2041
- Policy options for the rate collar floor would amortize the balance four to five years more quickly

Amortization of projected 7/1/2027 UAL based on estimated 12/31/2025 results



New Developments Since Last Discussed

- Actual 2025 OPERF returns of 9.68% expected to reduce 2027-29 uncollared UALR compared to advisory valuation
 - 12/31/2024 advisory valuation uncollared 2027-29 School District UALR was 10.74%
- We anticipate an additional SDULF rate offset in 2027-29 biennium due to the additional SDULF balance of \$149 million

Seeking Board Direction by May for 12/31/2025 Valuation

- Today's material is intended as an information / discussion item
- At the May meeting, we seek Board direction to either:
 - Continue to use the 13.95% of payroll “floor” for the SD collared UALR calculation (same procedure as advisory 12/31/2024 valuation), or
 - Use the 12.27% of payroll “floor” for purposes of the rate-setting 12/31/2025 valuation
- Since we are nearly certain that the “pure actuarial” uncollared UALR will be below 12.27% in the 12/31/2025 rate setting valuation, we view either policy approach as actuarially sound
 - Continuing with the higher 13.95% floor would reach 100% funded status faster
 - Moving to the lower 12.27% floor would slow achieving that threshold, but
 - Would provide more 2027-29 budgetary relief to School Districts
 - Still have the School District pool projected to reach 100% funded status within 15 years (assuming post-12/31/2025 experience matches assumption)



Appendix

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Certification

This presentation discusses actuarial methods and assumptions for use in the valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”). For the most recent complete actuarial valuation results, including cautions regarding the limitations of use of valuation calculations, please refer to our formal Actuarial Valuation Report as of December 31, 2024 (“the Valuation Report”) published on December 15, 2025. The Valuation Report, including all supporting information regarding data, assumptions, methods, and provisions, is incorporated by reference into this presentation. The statements of reliance and limitations on the use of this material is reflected in the actuarial report and still apply to this presentation. The Valuation Report, along with prior presentations to the PERS Board, including the December 2025 presentation to the PERS Board should be referenced for additional detail on the data, assumptions, methods, and plan provisions underlying this presentation.

In preparing this presentation, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff as well as capital market expectations provided by Meketa, capital market information published by Horizon Actuarial Services, and information presented to the Oregon Investment Council. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

In assessing the Milliman capital market expectations presented in this report, per Actuarial Standards of Practice we disclose reliance upon a model developed by Milliman colleagues who are credentialed investment professionals with expertise in capital outlook modeling.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which in our professional opinion are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System. The valuation results were developed using models intended for valuations that use standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. We have incorporated other sources of economic data in assessing the reasonableness of the assumptions. Reliance on other experts is reflected in Milliman’s capital market assumptions and in Milliman’s expected return model, both of which are developed by credentialed investment consultants. We have also considered the System’s investment policy, capital market assumptions, and the expected return analysis provided by the System’s investment consultant in our assessment of the investment return assumption.

Certification

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. Our annual financial modeling presentation to the PERS Board should be referenced for additional analysis of the potential variation in future measurements. The PERS Board has the final decision regarding the assumptions used in the actuarial valuation.

The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in the appendix of the Valuation Report. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

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

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

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.