



School District Tier One/Tier Two UAL Funding for 2027-29 Rate Calculations

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

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School District Tier One / Tier Two UAL Funding - Introduction

- All school district experience is mandatorily pooled for Tier One/Tier Two purposes
 - OPSRP expanded this idea as OPSRP experience for all PERS employers is pooled
- Today's focus: School District Pool Tier One/Tier Two UAL funding contributions
 - Structured for pool to systematically reach 100% funded status over specified period
- SB 849 created one-biennium 2025-27 funding help of \$168 million from the SDULF
 - Original district 2025-27 contribution rate orders reduced by 1.68% of pay
 - Projected 2025-27 biennium pay for districts happened to be near \$10 billion
- The 2025-27 SDULF contribution has generated a Board policy decision for today
- **Today we request a Board decision on the UAL funding approach for 2027-29**
 - Both policy approaches presented are actuarially sound
 - Both policy approaches presented have different pros and cons

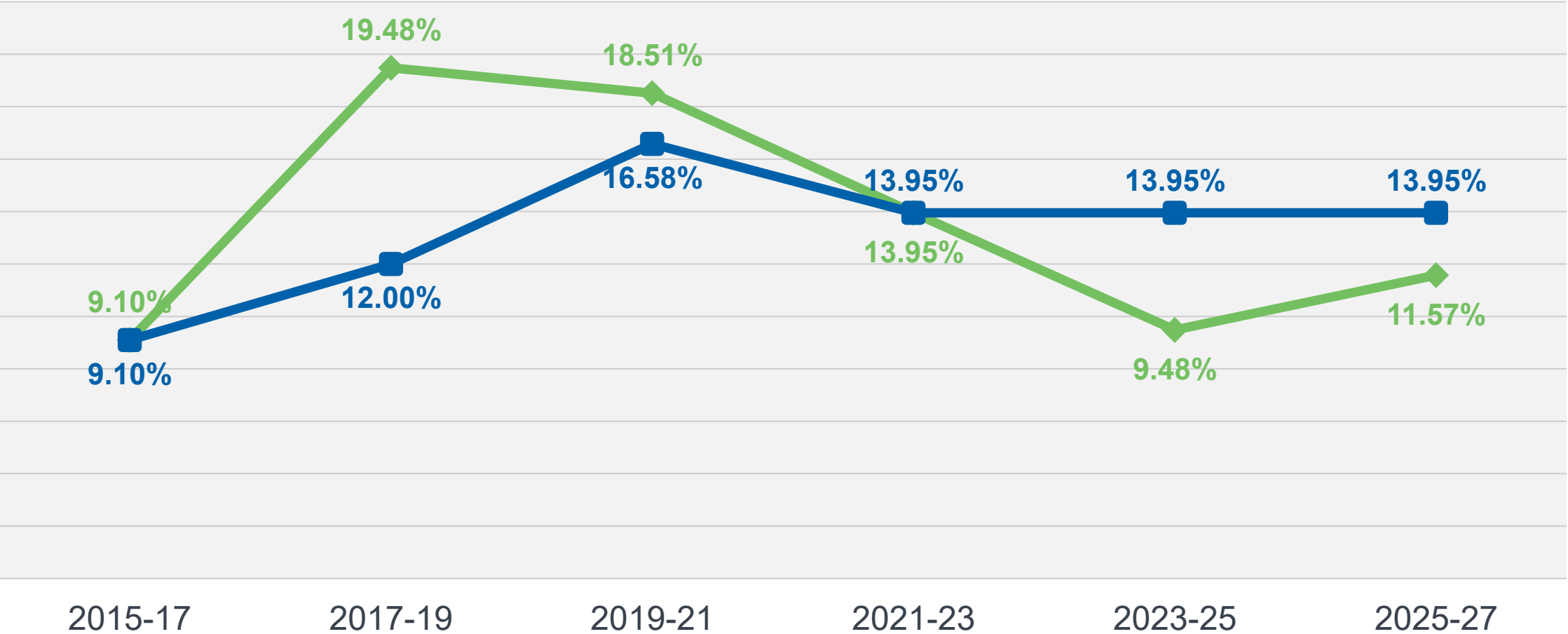
UAL Rates Calculated Each Biennium for the School District Pool

- In each rate-setting valuation we calculate two rates for the school district pool
- First, we calculate the **uncollared rate**
 - This is the pure actuarial rate that fully and immediately reflects:
 - Any benefit provision changes, be it by legislation or court decision
 - Actual returns up to the rate-setting actuarial valuation date (12/31 of odd-numbered years)
 - Any updates to assumptions, member census data, or actuarial methods
- Second, we calculate the pool's **collared base rate**
 - This collared base rate is the same for every district in the pool
 - Each district pays this rate from contributions and/or side account transfers
 - During 2025-27 part of this rate was paid from a third source: SDULF per SB 849
 - Biennium to biennium changes are restricted by the **rate collar** policy
 - Restriction since 2023-25: maximum change of 3% of pay
 - Restriction since 2023-25: no decreases until funded status nears or is over 90%

Historical & Current School District Tier One / Tier Two UAL Rates

School District Tier One/Tier Two UAL Rates

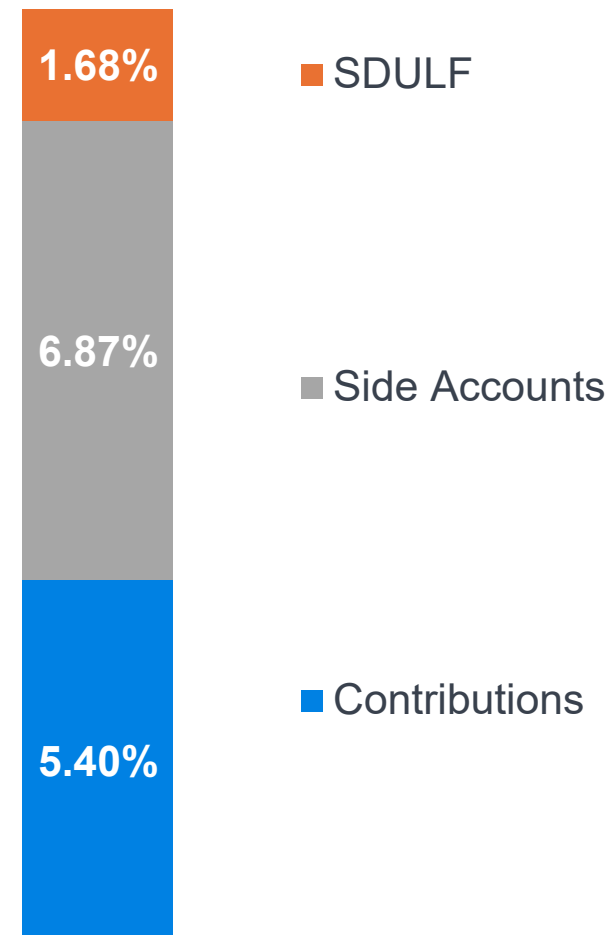
◆ Uncollared Rate ■ UAL Funding Contribution (Collared Base Rate, Includes SDULF Funding in 2025-27)



How is the Collared Base Rate Being Paid in 2025-27?

- Original 2025-27 rate orders reflected two funding sources
- SB 849 then directed \$168 million from SDULF to help fund the UAL in 2025-27
- Board reduced 2025-27 rate orders by 1.68% of pay
- In 2025-27 the UAL funding contribution is **13.95%** of pay
 - Sources: contributions, side account transfers, and SDULF
 - Side account transfer levels vary a lot by district
 - Funds of many side accounts are scheduled to exhaust in 2027
 - This timing has been known to districts for over a decade
- The 2025-27 district-funded UAL contribution is **12.27%** of pay
 - Sources: contributions, side account transfers

2025-27 UAL Funding
13.95% of Pay Total



What is the Situation for 2027-29 Rates?

- 2027-29 rate orders will be developed in this year's valuation
- Preliminary rough estimate of 2027-29 **uncollared rate** is 9.51% of pay
 - The 2027-29 collared base rate will therefore be above the 2027-29 uncollared rate
- Funded status for the pool will be materially below 90%
 - Collar restrictions of not decreasing the base collared rate will therefore be in effect
- This means the rate collar policy approach will set actual 2027-29 UAL funding

Another 2027-29 Consideration: Additional SDULF Contribution

- We understand from PERS that at least \$149 million in additional SDULF funding is projected available to offset post 2025-27 UAL rates
 - Will assist school district UAL funding in 2027-29, providing a 2027-29 rate offset
 - 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
- For illustration, we assume SDULF offset for 2027-29 will be 1.25% of payroll
- We understand no further SDULF offsets are expected for 2029-31 or beyond

Policy Question for the Board

The UAL funding/ rate collar policy question:

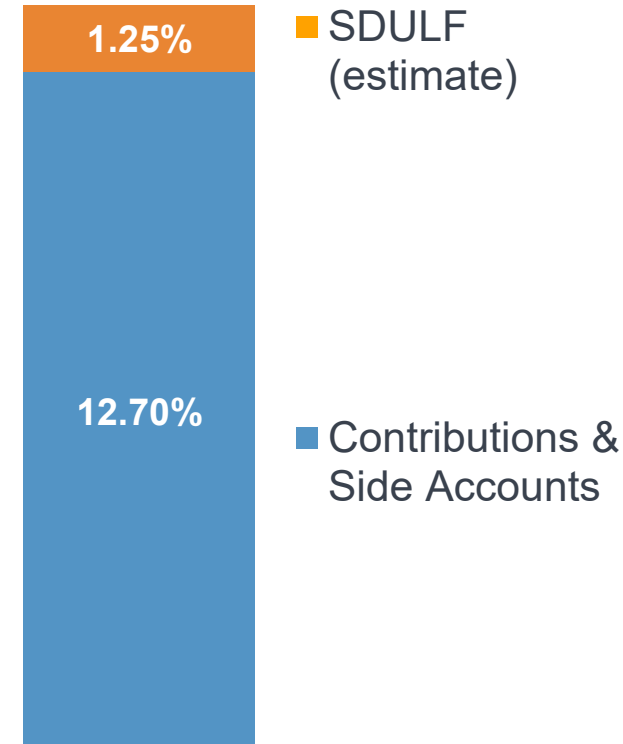
- **Where to set 2027-29 UAL funding to be “equal” to the current collared base rate?**
 - Policy approach A: set total 2027-29 UAL funding at 13.95% of pay
 - Policy approach B: set total 2027-29 UAL funding at 12.27% of pay

Policy Question for the Board

Where to set 2027-29 UAL funding to be “equal” to the current collared base rate?

- Policy approach A: set total 2027-29 UAL funding at 13.95% of pay
 - Same total UAL funding level as for three most recent biennia (2021-23, 2023-25, 2025-27)
 - Approach used in 2027-29 advisory valuation issued last year
 - Faster pace to achieve 90% and then 100% funded status than policy approach B
 - Rate funded by districts would increase biennium over biennium if 2027-29 SDULF assistance is lower than in 2025-27

2027-29 UAL Funding
Policy A
13.95% of Pay Total

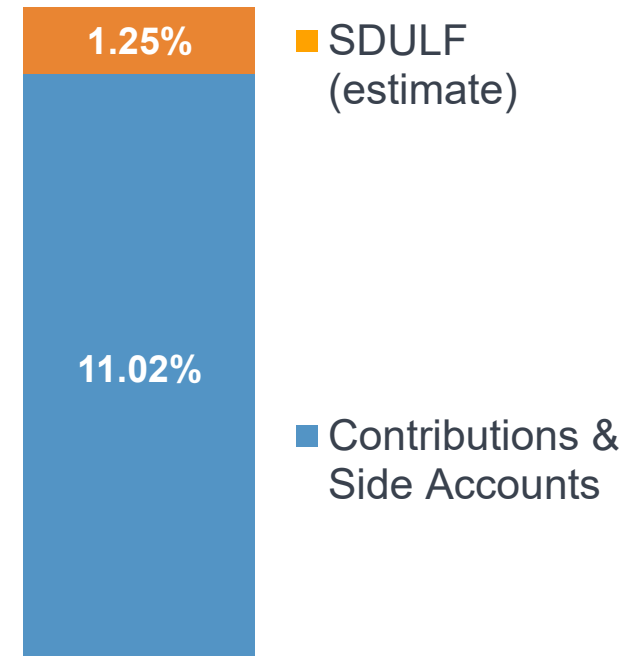


Policy Question for the Board

Where to set 2027-29 UAL funding to be “equal” to the current collared base rate?

- Policy approach B: set total 2027-29 UAL funding at 12.27% of pay, which is district-funded amount in 2025-27
 - Other 1.68% came from 2025-27 SDULF funding assistance
 - District-funded amount would decrease biennium over biennium
 - Arising from policy approach B decision and 2027-29 SDULF assistance
 - Decrease would improve district 2027-29 budgets
 - Lower total UAL funding compared to policy approach A would:
 - Increase total long-term UAL contributions (pay less now = pay more later and in total)
 - Slow the pace of reaching 90%, and then 100%, funded status
 - At 90% funded status collared rate decreases are allowed and member redirect contributions stop

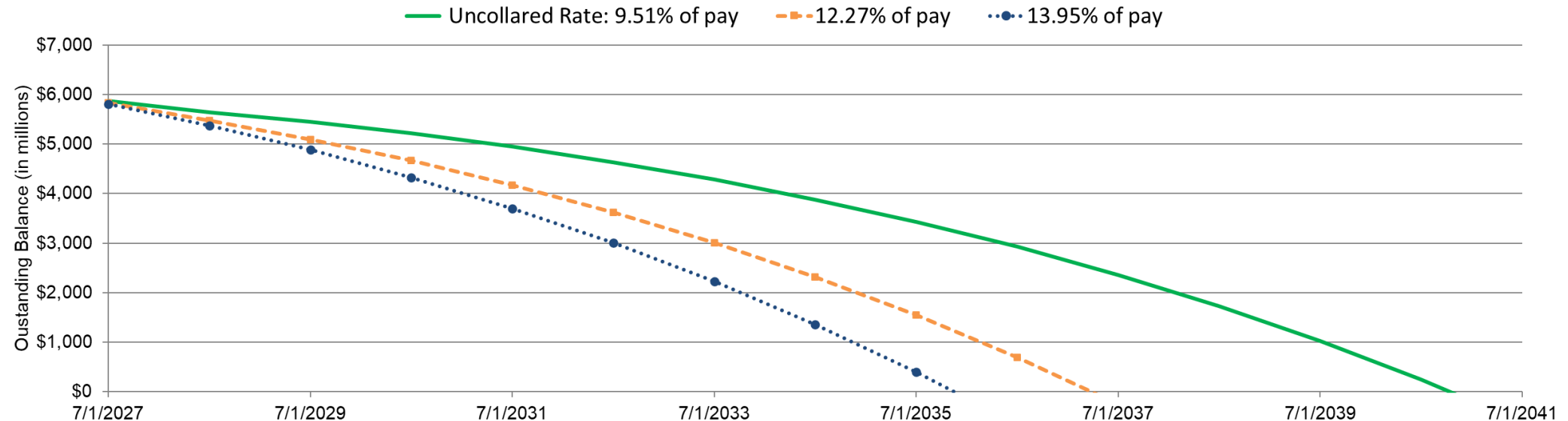
2027-29 UAL Funding
Policy B
12.27% of Pay Total



Projected Effect of UAL Contribution on UAL

- 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

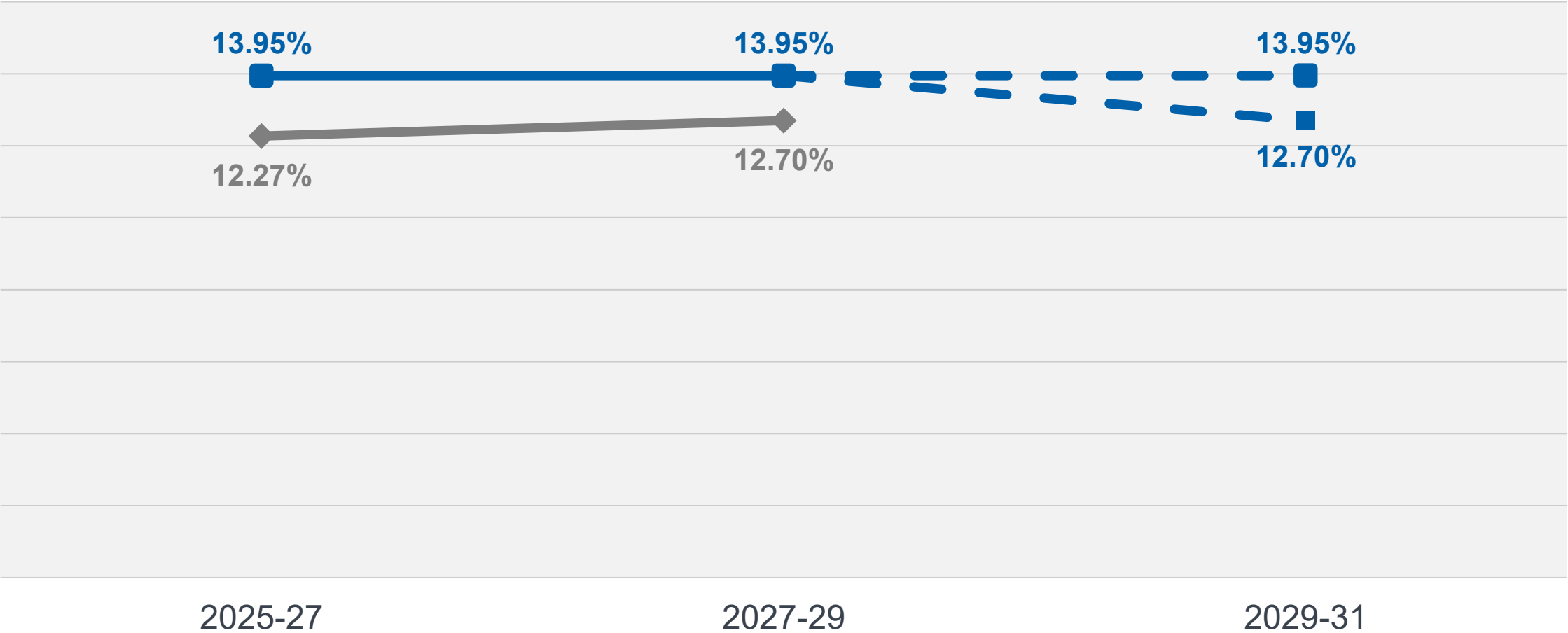
Amortization of projected 7/1/2027 UAL based on estimated 12/31/2025 results



Current & Potential Future UAL Funding – Policy A

School District Tier One/Tier Two UAL Rates

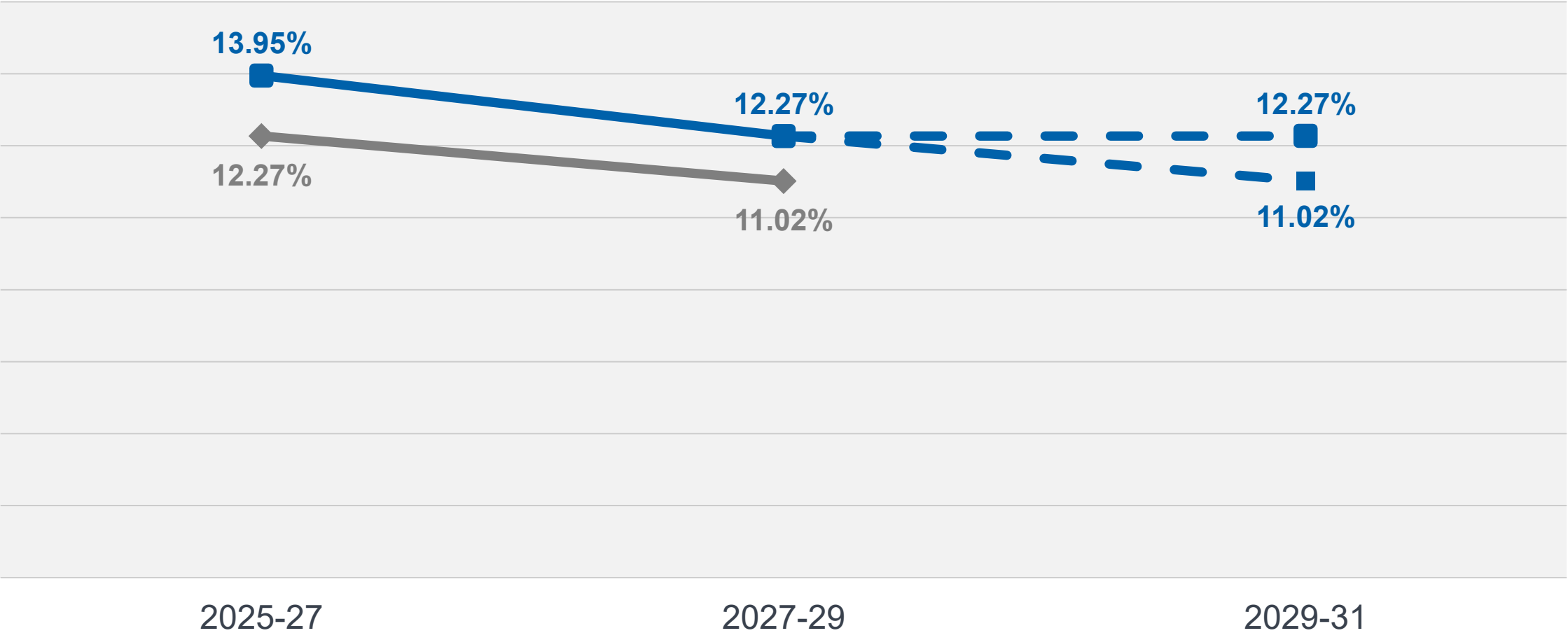
—◆— District Sourced Funding —■— Total UAL Funding - - - ■ - - - Potential 2029-31 Policy Alternatives



Current & Potential Future UAL Funding – Policy B

School District Tier One/Tier Two UAL Rates

—◆— District Sourced Funding —■— Total UAL Funding - - - ■ - - - Potential 2029-31 Policy Alternatives



Converting Contribution Rates Into 2027-29 Dollar Terms

- For the 2027-29 biennium, 1.00% of pay is estimated to be \$120 million
- This means the 1.68% of pay difference in district sourced 2027-29 funding for Policy A versus Policy B is estimated to be \$200 million over the biennium
 - \$100 million per year

Seeking Board Direction for 12/31/2025 Valuation

We are requesting Board direction to adopt either Policy Approach A or B

- Policy Approach A keeps total UAL funding at 13.95% of pay for 2027-29
 - Is consistent with advisory valuation provided to districts last year
 - Will increase district-funded contributions absent additional 2027-29 SDULF funds
 - Provides faster path to reach 90% and then 100% funded status
 - Lower likelihood of future uncollared rate exceeding current UAL funding level
- Policy Approach B decreases total UAL funding to 12.27% of pay for 2027-29
 - Will decrease district-funded contributions due to 2027-29 SDULF assistance
 - Slower path to reach 90% and then 100% funded status
 - Higher likelihood of future uncollared rate exceeding current UAL funding level



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.