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January 31, 2025

Jake Winship
Actuarial Manager
Oregon PERS

Re: GASB 68 Employer Reporting for June 30, 2024 Measurement Date

Dear Jake,

As requested, we prepared the attached exhibits to assist the Oregon Public Employees Retirement System ("PERS" or "the System") in providing financial reporting information to participating employers using a June 30, 2024 Measurement Date. We understand PERS will provide employers the information needed to assist them in fulfilling Governmental Accounting Standards Board Statements No. 68 (GASB 68) reporting requirements. Under GASB 68, System financial reporting information using a June 30, 2024 Measurement Date can be used in employer ACFR disclosures for fiscal year-end dates up to June 30, 2025.

The attached exhibits also are intended to assist the System's auditor in reviewing the development of financial reporting information.

The attached exhibits are:

- Exhibit A: Collective Pension Expense
- Exhibit B: Schedule of Collective Deferred Outflows/(Inflows) of Resources
- Exhibit C: Net Pension Liability/(Asset) by Employer
- Exhibit D: Schedule of Pension Amounts by Employer
- Exhibit E: Proportionate Share – Development of Present Value of Future Normal Cost
- Exhibit F: Proportionate Share – Development of Unfunded Actuarial Liability (UAL)
- Exhibit G: Proportionate Share – Schedule of Employer Allocations
- Exhibit H: Deferred Outflows/(Inflows) for Employer-Specific Adjustments
- Exhibit I: Amortization Schedules for Employer-Specific Deferred Outflows/(Inflows)

Exhibit A shows the development of the System's "Collective Pension Expense" for the Measurement Period from July 1, 2023 to June 30, 2024. Exhibit B summarizes the deferred amounts relevant to the calculation of the Collective Pension Expense for the Measurement Period. Because PERS is considered a multiple-employer cost-sharing plan under GASB 68, all employers are required to recognize a proportionate share of the Collective Pension Expense.



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The actuarial basis used to develop the Collective Pension Expense is identical to that used in preparing System financial reporting information as of June 30, 2024 under GASB 67, as described in our November 13, 2024 letter.

Exhibit C lists each employer's proportionate share of the Net Pension Liability / (Asset) at both the current and prior Measurement Date. The collective Net Pension Liability / (Asset) for the System is shown in the table below, which comes from our November 13, 2024 letter providing GASB 67 results for the System.

Net Pension Liability (Asset)	Measurement Date	
	June 30, 2023	June 30, 2024
Total pension liability	\$ 102,218,304,187	\$ 107,326,716,265
Fiduciary net position	<u>83,487,618,067</u>	<u>85,099,473,550</u>
Net pension liability (asset)	\$ 18,730,686,120	\$ 22,227,242,715

Note that the sum of the Net Pension Liability / (Asset) allocated to employers on Exhibit C differs slightly from the amounts in the table due to rounding.

Exhibit D summarizes key information needed for GASB 68 reporting by employer. There are 953 employers included on this listing. The exhibit includes each employer's proportionate share of the Net Pension Liability, Collective Pension Expense, and Deferred Outflows and Inflows of Resources. In addition, the exhibit also shows expense and deferred amounts arising due to employer-specific adjustments described in Paragraphs 54 and 55 of GASB 68. These adjustments arise when an employer's proportionate share changes from one Measurement Date to another or when the employer's contributions (as reported to us by PERS) during the Measurement Period differ from the employer's proportionate share of all System contributions during the period. Amounts arising from these two sources of employer adjustments are shown separately on the exhibit.

The information from Exhibit D will also be provided in a separate one-page schedule for each listed employer. We understand PERS will distribute the additional schedules to employers.

Exhibits E through G show the development of each employer's proportionate share used in preparing the GASB 68 results. In accordance with the preference stated in GASB 68, this development is intended to represent each employer's estimated share of the projected long-term contribution effort to the System. Because the proportionate share is actuarially determined, it is developed as of the December 31, 2022 Actuarial Valuation Date used to develop the Total Pension Liability for the June 30, 2024 Measurement Date. Employers who were not included in the December 31, 2022 valuation (for example, new employers formed after that date, or employers participating in the SLGRP or School District rate pools who had \$0 valuation payroll) are included in these exhibits, but will show zero values for all valuation results and are considered to have a 0% proportion as of the June 30, 2024 Measurement Date. There are 115 such employers for the June 30, 2024 Measurement Date.



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Additional background and rationale for the methodology used to develop the proportionate share is described in a memo provided to PERS in January 2016 and which we understand is posted on the PERS website.

Exhibit H shows the detailed development of the deferred amounts arising during the Measurement Period due to employer-specific adjustments under Paragraphs 54 and 55 of GASB 68.

Exhibit I lists all outstanding deferral bases associated with employer-specific adjustments. This includes amounts arising during the most recent Measurement Period and amounts from prior periods. Each deferral base is identified as either attributable to a change in proportion (Paragraph 54) or employer's contributions (Paragraph 55). This exhibit provides the detail behind the summary amounts related to employer-specific adjustments shown on Exhibit D.

Measurement Date and Reporting Date Timing

The results contained in the attached exhibits were developed as of a June 30, 2024 Measurement Date, based on an Actuarial Valuation Date of December 31, 2022.

An employer's Reporting Date under GASB 68 is the employer's fiscal year-end. However, the information reported as of that date can be based on a Measurement Date up to 12 months earlier. There is an additional constraint that the Actuarial Valuation Date can be no more than 30 months prior to the Reporting Date.

For PERS employers with a June 30 fiscal year-end, the information contained in the attached exhibits can be used for a GASB 68 Reporting Date of June 30, 2025, because it satisfies both prongs of the timing requirements: the Measurement Date (June 30, 2024) is no more than 12 months prior to the Reporting Date and the Actuarial Valuation Date (December 31, 2022) is no more than 30 months prior to the Reporting Date.

PERS employers with other than a June 30 fiscal year-end will need to map these results to the appropriate Reporting Date to comply with GASB's timing requirements. For example, an employer with a December 31, 2024 Reporting Date should use the results developed at the June 30, 2024 Measurement Date for their GASB 68 reporting.

Valuation

The December 31, 2022 Actuarial Valuation is used to develop the GASB 67 and GASB 68 financial reporting results for the Tier One/Tier Two and OPSRP liabilities as of June 30, 2024. The formal December 31, 2022 Actuarial Valuation report should be referenced for full detail on the data and assumptions used, actuarial methods applied, provisions valued, and other important information regarding the use, applicability, and limitations of actuarial valuation results. Additional information on the actuarial assumptions is included in the 2022 Experience Study report, published July 24, 2023. There were no differences between the assumptions and plan provisions used for June 30, 2024 Measurement Date calculations compared to those shown in the aforementioned reports.



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Changes Subsequent to the Measurement Date

As described above, GASB 67 and GASB 68 require the Total Pension Liability to be determined based on the benefit terms in effect at the Measurement Date. Any changes to benefit terms that occur after that date are reflected in amounts reported for the subsequent Measurement Date. However, Paragraph 80f of GASB 68 requires employers to briefly describe any changes between the Measurement Date and the employer's Reporting Date that are expected to have a significant effect on the employer's share of the collective Net Pension Liability, along with an estimate of the resulting change, if available.

We are not aware of any changes subsequent to the June 30, 2024 Measurement Date that meet this requirement and thus would require a brief description under the GASB standard.

Plan Changes Reflected

For GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. A legislative change that occurred after the December 31, 2022 Actuarial Valuation date affected the plan provisions reflected for June 30, 2024 financial reporting liability calculations.

House Bill 4045, enacted in April 2024, lowered the normal retirement age for OPSRP Police & Fire members from age 60 to age 55 effective January 1, 2025. Members still qualify for earlier unreduced retirement if age 53 with 25 or more years of service. This plan change is reflected in the June 30, 2024 Total Pension Liability, including the revised retirement rates for OPSRP Police & Fire members to reflect the lower normal retirement age as disclosed in the December 31, 2023 Actuarial Valuation published on September 19, 2024.

House Bill 4045 also made the following changes which are not reflected in the June 30, 2024 Total Pension Liability since no data was available to measure their impact:

- Effective January 1, 2025, forensic scientists and elected District Attorneys are now included in the "Police & Fire" definition of membership.
- Effective January 1, 2030, a new "hazardous position" member classification was created for OPSRP members with benefit levels and retirement eligibilities that fall in between existing classifications for General Service and Police & Fire members. The hazardous position membership classification is statutorily limited to emergency telecommunicator employees at Oregon State Hospital with direct patient contact.

The increase in the Total Pension Liability resulting from House Bill 4045 (measured as of June 30, 2024 and including updated retirement rates to reflect the revised plan provision) is shown in the attached exhibits as the *"Effect of plan changes"* during the measurement period.



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Actuarial Basis

Our analysis and conclusions are based on our understanding of the request and the data, methods, and assumptions described herein. Differences in the data, methods, assumptions, and interpretations of the plan provisions may produce different results.

Some of the actuarial computations presented in the valuation report are for purposes of determining contribution rates for System employers. The actuarial computations presented in this letter under GASB Statement No. 68 are for purposes of assisting the System in providing information to participating employers to fulfill financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our reports. The calculations in the report have been made on a basis consistent with our understanding of the System's funding policy and goals. The calculations have been made on a basis consistent with our understanding of the System benefit provisions as summarized in the report, and of GASB Statements No. 68. 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.

Actuarial assumptions, including discount rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the Board. That entity is responsible for selecting the System's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods, and assumptions used in the valuation are those that have been so adopted and are described in this report. 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 future experience affecting the System and are expected to have no significant bias.



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

Future actuarial measurements may differ significantly from the current measurements presented in these reports due to factors such as, but not limited to, the following: System experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or modifications to contribution calculations based on the System's funded status); and changes in System benefit provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of future measurements. The Board has the final decision regarding the selection of the assumptions and actuarial cost methods and adopted them as indicated herein at the September 2023 Board Meeting.

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

Milliman's work has been prepared solely for the use and benefit of the Oregon Public Employees Retirement System for a specific and limited purpose. Milliman does not intend to benefit or create a legal duty to any third-party recipient of this work. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data, which Milliman has not audited. No third-party recipient of Milliman's work product should rely upon this report. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The December 31, 2022 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 (ASOPs). The models, including all input, calculations, and output may not be appropriate for any other purpose. Results were rolled forward from the valuation date to the measurement date using the assumptions and methods described in this letter.



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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 plan sponsor. 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.

Sincerely,



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



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

cc: Matthew Graves
Jason Stanley