

**OREGON PUBLIC EMPLOYEES
RETIREMENT SYSTEM**

Retiree Health Insurance Premium Account
Single-Employer Other Postemployment
Benefits (OPEB) Plan
Schedule of OPEB Amounts

As of and for the Fiscal Year Ended June 30, 2025

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
Retiree Health Insurance Premium Account Single-Employer Other Postemployment Benefits
(OPEB) Plan Schedule of OPEB Amounts
As of and for the Fiscal Year Ended June 30, 2025

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Independent Auditor's Report

To the Honorable Tina Kotek
Governor of Oregon

To the Public Employees Retirement Board of the
Oregon Public Employees Retirement System
Tigard, Oregon

Report on the Audit of the Schedule

Opinions

We have audited the columns titled net OPEB (asset), total deferred outflows of resources, total deferred inflows of resources, and total OPEB (credit) (specified column totals) included in the accompanying schedule of Other Postemployment Benefits (OPEB) amounts (Schedule) of the Oregon Public Employees Retirement System (System) Retiree Health Insurance Premium Account Single-Employer OPEB Plan (Plan), as of and for the fiscal year ended June 30, 2025, and the related notes as listed in the table of contents.

In our opinion, the accompanying schedule referred to above presents fairly, in all material respects, the net OPEB (asset), total deferred outflows of resources, total deferred inflows of resources, and total OPEB (credit) of the Oregon Public Employees Retirement System Retiree Health Insurance Premium Account Single-Employer OPEB Plan, as of and for the fiscal year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 2, the schedules present amounts that are elements of the financial statements of the System and do not purport to, and do not, present fairly the financial position of the System or its participating employers as of June 30, 2025, or the changes in its financial position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Schedule

The System's management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the specified column totals included in the schedule of OPEB amounts are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the specified column totals included in the schedule of OPEB amounts.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the specified column totals included in the schedule of OPEB amounts, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the specified column totals included in the schedule of OPEB amounts.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the specified column totals included in the schedule of OPEB amounts.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

We have audited, in accordance with standards generally accepted in the United States of America, the financial statements of the fiduciary activities and the proprietary activities of the Oregon Public Employees Retirement System as of and for the fiscal year ended June 30, 2025, and our report thereon dated December 1, 2025, expressed unmodified opinions on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the System's management, the Audit Committee, the Public Employees Retirement Board, the State of Oregon and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Macias Gini & O'Connell LLP

Sacramento, California
February 10, 2026

Oregon Public Employees Retirement System
Retiree Health Insurance Premium Account
Single-Employer Other Postemployment Benefits Plan
Schedule of OPEB Amounts
As of and for the Fiscal Year Ended June 30, 2025

Employer Number	Employer Name	Net OPEB (Asset)	Deferred Outflows of Resources			Deferred Inflows of Resources			Total OPEB (Credit)
			Changes in Assumptions	Net Difference between Projected and Actual Investment Earnings	Total Deferred Outflows of Resources	Differences between Expected and Actual Experience	Changes in Assumptions	Total Deferred Inflows of Resources	
1000	State Agencies	\$ (55,877,901)	\$ 217,645	\$ 1,890,405	\$ 2,108,050	\$ 8,330,899	\$ 5,502,159	\$ 13,833,058	\$ (9,430,624)
	Total for All Entities	\$ (55,877,901)	\$ 217,645	\$ 1,890,405	\$ 2,108,050	\$ 8,330,899	\$ 5,502,159	\$ 13,833,058	\$ (9,430,624)

The accompanying notes are an integral part of this schedule.

Oregon Public Employees Retirement System
Retiree Health Insurance Premium Account
Single-Employer Other Postemployment Benefits Plan
Notes to the Schedule of OPEB Amounts
As of and for the Fiscal Year Ended June 30, 2025

Note 1 - Description of Plan

A. Organization

Oregon Public Employees Retirement System (PERS or the System) administers a single-employer defined benefit Other Postemployment Benefits (OPEB) plan (Plan) for units of state government (Employer), with the state as one employer. Plan assets may be used to pay the benefits of the employees of any state agency that provides OPEB through the Plan. Contributions are mandatory for each state agency. As of June 30, 2025, there are 112 participating state agencies.

PERS is administered in accordance with Oregon Revised Statutes (ORS) Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The Oregon Legislature has delegated authority to the Public Employees Retirement Board (Board) to administer and manage the System. All members of the Board are appointed by the Governor and confirmed by the State Senate. The Governor designates the chairperson. One member must be a public employer manager or a local elected official, one member must be a union-represented public employee or retiree, and three members must have experience in business management, pension management, or investing.

B. Plan Membership

The Retiree Health Insurance Premium Account (RHIPA) was established by ORS 238.415 and requires the Board on or before January 1 of each year to calculate the average difference between the health insurance premiums paid by retired state employees and health insurance premiums paid by active state employees. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service with a state agency in the System at the time of retirement, or (2) is receiving a disability pension calculated as if they had eight or more years of qualifying service but are not eligible for federal Medicare coverage. RHIPA was closed to new entrants hired on or after August 29, 2003.

As of June 30, 2025, retired RHIPA plan participants receiving benefits totaled 379. As of June 30, 2025, there were 8,011 active members who meet the requirements to receive RHIPA benefits when they retire. Inactive members are not eligible for these benefits.

Note 2 - Summary of Significant Accounting Policies

Governmental Accounting Standards Board (GASB) Statement No. 75

Employers participating in the Plan are required to report OPEB information in their financial statements for fiscal periods beginning on or after June 15, 2017, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75).

The requirements of this statement incorporate provisions intended to reflect the effects of transactions and events related to OPEB in the measurement of employer liabilities for OPEB and recognition of OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB.

Oregon Public Employees Retirement System
 Retiree Health Insurance Premium Account
 Single-Employer Other Postemployment Benefits Plan
 Notes to the Schedule of OPEB Amounts (Continued)
 As of and for the Fiscal Year Ended June 30, 2025

Note 2 - Summary of Significant Accounting Policies (continued)

Governmental Accounting Standards Board (GASB) Statement No. 75 (continued)

The Schedule of OPEB Amounts under GASB 75 report prepared by PERS' third-party actuaries, along with PERS audited financial statements, provide the required information for financial reporting related to PERS OPEB provided through the Plan as of and for the fiscal year ended June 30, 2025 (the measurement period).

Basis of Accounting

The Schedules present amounts that are elements of the financial statements of the System or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the System or its participating employers.

The accompanying Schedule of OPEB Amounts was prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, PERS adheres to the reporting requirements established by the GASB.

Use of Estimates in the Preparation of the Schedule

The preparation of the Schedule of OPEB Amounts in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Note 3 - Net OPEB Liability and Actuarial Assumptions and Methods

The components of the employer's net OPEB asset, in millions, are as follows:

<u>Net OPEB Asset - RHIPA (in Millions)</u>	
<u>As of June 30, 2025</u>	
	<u>2025</u>
Total OPEB - RHIPA Liability	\$ 41.8
Plan Fiduciary Net Position	<u>97.7</u>
Employer's Net OPEB - RHIPA Asset	<u>\$ (55.9)</u>
Plan net position as a percentage of Total OPEB - RHIPA Liability	233.7 %

Oregon Public Employees Retirement System
 Retiree Health Insurance Premium Account
 Single-Employer Other Postemployment Benefits Plan
 Notes to the Schedule of OPEB Amounts (Continued)
 As of and for the Fiscal Year Ended June 30, 2025

Note 3 - Net OPEB Liability and Actuarial Assumptions and Methods (continued)

Actuarial Methods and Assumptions

<u>Actuarial Methods and Assumptions</u>	
	<u>RHIPA</u>
Valuation date	December 31, 2023
Measurement date	June 30, 2025
Experience Study	2022, published July 24, 2023
Actuarial assumptions:	
Actuarial cost method	Entry Age Normal
Inflation rate	2.40 percent
Long-term expected rate of return	6.90 percent
Discount rate	6.90 percent
Projected salary increases	3.40 percent
Retiree healthcare participation	8-14 Years of Service: 10.0% 15-19 Years of Service: 11.0% 20-24 Years of Service: 12.0% 25-29 Years of Service: 20.0% 30+ Years of Service: 25.0%
Healthcare cost trend rate	Applied at beginning of plan year, starting with 6.6% for 2023, increasing to 7.0% for 2024, decreasing to 4.2% for 2032, increasing to 4.3% for 2055, and decreasing to an ultimate rate of 3.8% for 2074 and beyond.
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active members: Pub-2010 Employee, sex distinct, generational with Unisex Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2022 Experience Study, which reviewed experience for the four-year period ended on December 31, 2023.

Oregon Public Employees Retirement System
Retiree Health Insurance Premium Account
Single-Employer Other Postemployment Benefits Plan
Notes to the Schedule of OPEB Amounts (Continued)
As of and for the Fiscal Year Ended June 30, 2025

Note 3 - Net OPEB Liability and Actuarial Assumptions and Methods (continued)

Discount Rate

The discount rate used to measure the total OPEB liability of the Plan was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions are made at the contractually required rates, as actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in January 2023 the PERS Board reviewed long-term assumptions developed by both Milliman's capital market assumptions team and the Oregon Investment Council's (OIC) investment advisors. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model. For more information on the Plan's portfolio, assumed asset allocation, and the long-term expected rate of return for each major asset class, calculated using both arithmetic and geometric means, see PERS' audited financial statements at:

<https://www.oregon.gov/pers/Documents/Financials/ACFR/2025-ACFR.pdf>

Depletion Date Projection

GASB 75 generally requires that a blended discount rate be used to measure the total OPEB liability (the actuarial accrued liability calculated using the individual entry age normal cost method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's fiduciary net position (fair value of investment assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the fiduciary net position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 75 will often require that the actuary perform complex projections of future benefit payments and asset values. GASB 75 (paragraph 39) does allow for alternative evaluations of projected solvency if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for the OPEB Plan:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100 percent funded position by the end of the amortization period if future experience follows assumption.

Oregon Public Employees Retirement System
Retiree Health Insurance Premium Account
Single-Employer Other Postemployment Benefits Plan
Notes to the Schedule of OPEB Amounts (Continued)
As of and for the Fiscal Year Ended June 30, 2025

Note 3 - Net OPEB Liability and Actuarial Assumptions and Methods (continued)

Depletion Date Projection (continued)

- GASB 75 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate of return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our third-party actuary's opinion that the detailed depletion date projections outlined in GASB 75 would clearly indicate that the fiduciary net position is always projected to be sufficient to cover benefit payments and administrative expenses.

Deferred Inflows of Resources and Deferred Outflows of Resources

Differences between expected and actual experience and changes in assumptions are amortized over the average remaining service lives of all plan participants, including retirees, determined as of the beginning of the respective measurement period. The Employer is required to recognize OPEB expense based on the balance of the closed period "layers" attributable to each measurement period. The average remaining service lives determined as of the beginning of each measurement period are described below:

Fiscal Year ended June 30, 2025 – 5.4 years
Fiscal Year ended June 30, 2024 – 5.7 years
Fiscal Year ended June 30, 2023 – 5.9 years
Fiscal Year ended June 30, 2022 – 6.1 years
Fiscal Year ended June 30, 2021 – 6.2 years
Fiscal Year ended June 30, 2020 – 6.4 years
Fiscal Year ended June 30, 2019 – 6.7 years

The difference between projected and actual earnings is amortized over a closed five-year period.

Deferred inflows of resources and deferred outflows of resources are calculated at the Plan level. For the measurement period ended June 30, 2025, there was:

- A difference between expected and actual experience.
- A difference due to changes of assumptions.
- A net difference between projected and actual earnings. One-year's amortization is recognized in the employer's total OPEB expense for the measurement period.

Employer contributions made after the measurement date are not reflected in the Schedule of OPEB Amounts. Appropriate treatment of such amounts is the responsibility of the Employer.

If you have questions about this report or need additional financial information, please contact the Financial and Administrative Services Division Administrator at PO Box 23700, Tigard, Oregon 97281-3700.