

September 2014

Salem-Keizer Public Schools/3735
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Salem-Keizer Public Schools/3735

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Salem-Keizer Public Schools/3735

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Salem-Keizer Public Schools -- #3735

September 2014

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Executive Summary

Milliman has prepared this report for Salem-Keizer Public Schools to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Salem-Keizer Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Salem-Keizer Public Schools

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(9.97%)	(9.97%)	(9.97%)
Net pension contribution rate	11.83%	7.22%	11.33%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	12.36%	7.67%	11.78%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Salem-Keizer Public Schools

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$247,329,696	\$325,383,291
Allocated pooled OPSRP UAL	13,906,985	13,682,759
Side account	209,786,644	195,410,253
Net unfunded pension actuarial accrued liability	51,450,037	143,655,797
Combined valuation payroll	196,687,243	194,129,187
Net pension UAL as a percentage of payroll	26%	74%
Calculated Side Account Rate Relief	(9.97%)	(8.93%)
Allocated Pooled RHIA UAL	\$2,722,362	\$4,072,913

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$195,410,253	\$195,410,253
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(15,593,403)	(15,593,403)
5. Side account earnings during 2013		29,971,794	29,971,794
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$209,786,644	\$209,786,644

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$130,446,089	\$121,513,910
Side Account 2	79,340,556	73,896,343
Side Account 3	0	0
Total	\$209,786,644	\$195,410,253

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$209,786,644	\$195,410,253
2. Combined valuation payroll	196,687,243	194,129,187
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(9.97%)	(8.93%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Santiam Canyon School District/3665
Oregon Public Employees Retirement System

Dear Sir or Madam:

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If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

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- A brief summary of any changes in System benefit provisions.

Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Santiam Canyon School District/3665

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Santiam Canyon School District/3665

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Santiam Canyon School District -- #3665

September 2014

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Executive Summary

Milliman has prepared this report for Santiam Canyon School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Santiam Canyon School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Santiam Canyon School District

	Payroll		
	Tier 1/Tier 2	OPSRP	
		General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(21.57%)	(21.57%)	(21.57%)
Net pension contribution rate	0.23%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.76%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Santiam Canyon School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$2,629,581	\$4,541,586
Allocated pooled OPSRP UAL	147,857	190,979
Side account	4,828,440	4,398,568
Net unfunded pension actuarial accrued liability	(2,051,002)	333,997
Combined valuation payroll	2,091,156	2,709,587
Net pension UAL as a percentage of payroll	(98%)	12%
Calculated Side Account Rate Relief	(21.57%)	(14.40%)
Allocated Pooled RHIA UAL	\$28,944	\$56,848

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$4,398,568	\$4,398,568
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(253,173)	(253,173)
5. Side account earnings during 2013		684,044	684,044
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$4,828,440	\$4,828,440

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$4,828,440	\$4,398,568
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,828,440	\$4,398,568

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$4,828,440	\$4,398,568
2. Combined valuation payroll	2,091,156	2,709,587
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(21.57%)	(14.40%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

School Districts/3000
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

September 2014
School Districts/3000

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
School Districts/3000

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

School Districts -- #3000

September 2014

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Executive Summary

Milliman has prepared this report for School Districts to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to School Districts.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for School Districts

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	0.00%	0.00%	0.00%
Net pension contribution rate	21.80%	17.19%	21.30%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	22.33%	17.64%	21.75%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

School Districts

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	N/A	N/A
Allocated pooled OPSRP UAL	N/A	N/A
Side account	N/A	N/A
Net unfunded pension actuarial accrued liability	N/A	N/A
Combined valuation payroll	N/A	N/A
Net pension UAL as a percentage of payroll	N/A	N/A
Calculated Side Account Rate Relief	N/A	N/A
Allocated Pooled RHIA UAL	N/A	N/A

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A		
2. Deposits during 2013		N/A	
3. Administrative expenses			
4. Amount transferred to employer reserves during 2013			
5. Side account earnings during 2013			
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)			

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1		
Side Account 2		
Side Account 3		
Total	\$0	\$0

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$0	\$0
2. Combined valuation payroll	0	0
3. Amortization factor	0.000	0.000
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	0.00%	0.00%

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Seaside Schools/3187
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.

September 2014
Seaside Schools/3187

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Seaside Schools/3187

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Seaside Schools -- #3187

September 2014

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Executive Summary

Milliman has prepared this report for Seaside Schools to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Seaside Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Seaside Schools

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(10.57%)	(10.57%)	(10.57%)
Net pension contribution rate	11.23%	6.62%	10.73%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	11.76%	7.07%	11.18%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Seaside Schools

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$9,981,085	\$14,120,485
Allocated pooled OPSRP UAL	561,222	593,783
Side account	8,975,614	8,284,739
Net unfunded pension actuarial accrued liability	1,566,693	6,429,529
Combined valuation payroll	7,937,389	8,424,521
Net pension UAL as a percentage of payroll	20%	76%
Calculated Side Account Rate Relief	(10.57%)	(8.72%)
Allocated Pooled RHIA UAL	\$109,862	\$176,750

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$8,284,739	\$8,284,739
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(584,359)	(584,359)
5. Side account earnings during 2013		1,276,234	1,276,234
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$8,975,614	\$8,975,614

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$8,975,614	\$8,284,739
Side Account 2	0	0
Side Account 3	0	0
Total	\$8,975,614	\$8,284,739

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$8,975,614	\$8,284,739
2. Combined valuation payroll	7,937,389	8,424,521
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(10.57%)	(8.72%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Sherwood School District #88J/4317
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Sherwood School District #88J/4317

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Sherwood School District #88J/4317

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

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Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sherwood School District #88J -- #4317

September 2014

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Executive Summary

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- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sherwood School District #88J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Sherwood School District #88J

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(5.12%)	(5.12%)	(5.12%)
Net pension contribution rate	16.68%	12.07%	16.18%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	17.21%	12.52%	16.63%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sherwood School District #88J

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$27,051,199	\$37,443,004
Allocated pooled OPSRP UAL	1,521,049	1,574,523
Side account	11,791,296	11,108,566
Net unfunded pension actuarial accrued liability	16,780,952	27,908,961
Combined valuation payroll	21,512,280	22,339,131
Net pension UAL as a percentage of payroll	78%	125%
Calculated Side Account Rate Relief	(5.12%)	(4.41%)
Allocated Pooled RHIA UAL	\$297,753	\$468,684

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$11,108,566	\$11,108,566
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,003,079)	(1,003,079)
5. Side account earnings during 2013		1,687,809	1,687,809
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$11,791,296	\$11,791,296

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$7,802,468	\$7,347,874
Side Account 2	3,988,828	3,760,692
Side Account 3	0	0
Total	\$11,791,296	\$11,108,566

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$11,791,296	\$11,108,566
2. Combined valuation payroll	21,512,280	22,339,131
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(5.12%)	(4.41%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Silver Falls School District/4270
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Silver Falls School District/4270

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Silver Falls School District/4270

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Silver Falls School District -- #4270

September 2014

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Executive Summary

Milliman has prepared this report for Silver Falls School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Silver Falls School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Silver Falls School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(10.86%)	(10.86%)	(10.86%)
Net pension contribution rate	10.94%	6.33%	10.44%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	11.47%	6.78%	10.89%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Silver Falls School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$20,150,259	\$26,108,824
Allocated pooled OPSRP UAL	1,133,019	1,097,908
Side account	18,628,027	17,355,453
Net unfunded pension actuarial accrued liability	2,655,251	9,851,279
Combined valuation payroll	16,024,355	15,576,967
Net pension UAL as a percentage of payroll	17%	63%
Calculated Side Account Rate Relief	(10.86%)	(9.88%)
Allocated Pooled RHIA UAL	\$221,794	\$326,811

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$17,355,453	\$17,355,453
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,395,030)	(1,395,030)
5. Side account earnings during 2013		2,669,605	2,669,605
6. Side account as of December 31, 2013 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$18,628,027	\$18,628,027

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$15,585,869	\$14,520,354
Side Account 2	3,042,158	2,835,099
Side Account 3	0	0
Total	\$18,628,027	\$17,355,453

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$18,628,027	\$17,355,453
2. Combined valuation payroll	16,024,355	15,576,967
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(10.86%)	(9.88%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Sisters School District/3296
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Sisters School District/3296

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Sisters School District/3296

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sisters School District -- #3296

September 2014

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Executive Summary

Milliman has prepared this report for Sisters School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sisters School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Sisters School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(18.14%)	(18.14%)	(18.14%)
Net pension contribution rate	3.66%	0.00%	3.16%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	4.19%	0.45%	3.61%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sisters School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$6,678,307	\$8,955,964
Allocated pooled OPSRP UAL	375,511	376,609
Side account	10,313,968	9,498,077
Net unfunded pension actuarial accrued liability	(3,260,150)	(165,504)
Combined valuation payroll	5,310,878	5,343,280
Net pension UAL as a percentage of payroll	(61%)	(3%)
Calculated Side Account Rate Relief	(18.14%)	(15.77%)
Allocated Pooled RHIA UAL	\$73,508	\$112,104

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$9,498,077	\$9,498,077
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(651,107)	(651,107)
5. Side account earnings during 2013		1,467,997	1,467,997
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$10,313,968	\$10,313,968

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$10,313,968	\$9,498,077
Side Account 2	0	0
Side Account 3	0	0
Total	\$10,313,968	\$9,498,077

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$10,313,968	\$9,498,077
2. Combined valuation payroll	5,310,878	5,343,280
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(18.14%)	(15.77%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Siuslaw School District #97J/3537
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Siuslaw School District #97J/3537

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Siuslaw School District #97J/3537

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Siuslaw School District #97J -- #3537

September 2014

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Executive Summary

Milliman has prepared this report for Siuslaw School District #97J to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Siuslaw School District #97J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Siuslaw School District #97J

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(14.04%)	(14.04%)	(14.04%)
Net pension contribution rate	7.76%	3.15%	7.26%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	8.29%	3.60%	7.71%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

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Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Siuslaw School District #97J

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$8,055,838	\$10,964,761
Allocated pooled OPSRP UAL	452,968	461,081
Side account	9,629,526	9,036,891
Net unfunded pension actuarial accrued liability	(1,120,720)	2,388,951
Combined valuation payroll	6,406,350	6,541,762
Net pension UAL as a percentage of payroll	(17%)	37%
Calculated Side Account Rate Relief	(14.04%)	(12.26%)
Allocated Pooled RHIA UAL	\$88,671	\$137,249

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$9,036,891	\$9,036,891
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(787,318)	(787,318)
5. Side account earnings during 2013		1,380,953	1,380,953
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$9,629,526	\$9,629,526

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$9,629,526	\$9,036,891
Side Account 2	0	0
Side Account 3	0	0
Total	\$9,629,526	\$9,036,891

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$9,629,526	\$9,036,891
2. Combined valuation payroll	6,406,350	6,541,762
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(14.04%)	(12.26%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

South Lane School District/3506
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
South Lane School District/3506

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
South Lane School District/3506

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Lane School District -- #3506

September 2014

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Executive Summary

Milliman has prepared this report for South Lane School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to South Lane School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for South Lane School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(17.96%)	(17.96%)	(17.96%)
Net pension contribution rate	3.84%	0.00%	3.34%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	4.37%	0.45%	3.79%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

South Lane School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$18,332,417	\$22,370,353
Allocated pooled OPSRP UAL	1,030,805	940,700
Side account	28,029,679	26,081,816
Net unfunded pension actuarial accrued liability	(8,666,457)	(2,770,763)
Combined valuation payroll	14,578,729	13,346,532
Net pension UAL as a percentage of payroll	(59%)	(21%)
Calculated Side Account Rate Relief	(17.96%)	(17.34%)
Allocated Pooled RHIA UAL	\$201,785	\$280,016

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$26,081,816	\$26,081,816
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,058,335)	(2,058,335)
5. Side account earnings during 2013		4,007,198	4,007,198
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$28,029,679	\$28,029,679

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$28,029,679	\$26,081,816
Side Account 2	0	0
Side Account 3	0	0
Total	\$28,029,679	\$26,081,816

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$28,029,679	\$26,081,816
2. Combined valuation payroll	14,578,729	13,346,532
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(17.96%)	(17.34%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

South Umpqua School District/3319
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
South Umpqua School District/3319

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
South Umpqua School District/3319

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

South Umpqua School District -- #3319

September 2014

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Executive Summary

Milliman has prepared this report for South Umpqua School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to South Umpqua School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for South Umpqua School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(27.08%)	(27.08%)	(27.08%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

South Umpqua School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$7,699,854	\$9,932,200
Allocated pooled OPSRP UAL	432,951	417,661
Side account	17,747,928	16,417,430
Net unfunded pension actuarial accrued liability	(9,615,123)	(6,067,569)
Combined valuation payroll	6,123,256	5,925,719
Net pension UAL as a percentage of payroll	(157%)	(102%)
Calculated Side Account Rate Relief	(27.08%)	(24.58%)
Allocated Pooled RHIA UAL	\$84,752	\$124,324

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$16,417,430	\$16,417,430
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,197,254)	(1,197,254)
5. Side account earnings during 2013		2,529,752	2,529,752
6. Side account as of December 31, 2013 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$17,747,928	\$17,747,928

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$8,652,290	\$8,015,187
Side Account 2	9,095,639	8,402,244
Side Account 3	0	0
Total	\$17,747,928	\$16,417,430

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$17,747,928	\$16,417,430
2. Combined valuation payroll	6,123,256	5,925,719
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(27.08%)	(24.58%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Springfield School District #19/3487
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Springfield School District #19/3487

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Springfield School District #19/3487

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Springfield School District #19 -- #3487

September 2014

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Executive Summary

Milliman has prepared this report for Springfield School District #19 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Springfield School District #19.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Springfield School District #19

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(10.93%)	(10.93%)	(10.93%)
Net pension contribution rate	10.87%	6.26%	10.37%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	11.40%	6.71%	10.82%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Springfield School District #19

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$60,498,864	\$80,165,657
Allocated pooled OPSRP UAL	3,401,762	3,371,062
Side account	56,284,527	52,456,706
Net unfunded pension actuarial accrued liability	7,616,099	31,080,013
Combined valuation payroll	48,111,306	47,828,190
Net pension UAL as a percentage of payroll	16%	65%
Calculated Side Account Rate Relief	(10.93%)	(9.73%)
Allocated Pooled RHIA UAL	\$665,912	\$1,003,456

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$52,456,706	\$52,456,706
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(4,204,047)	(4,204,047)
5. Side account earnings during 2013		8,032,868	8,032,868
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$56,284,527	\$56,284,527

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$56,284,527	\$52,456,706
Side Account 2	0	0
Side Account 3	0	0
Total	\$56,284,527	\$52,456,706

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$56,284,527	\$52,456,706
2. Combined valuation payroll	48,111,306	47,828,190
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(10.93%)	(9.73%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

St Helens School District #502/4279
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
St Helens School District #502/4279

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
St Helens School District #502/4279

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

St Helens School District #502 -- #4279

September 2014

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Executive Summary

Milliman has prepared this report for St Helens School District #502 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to St Helens School District #502.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for St Helens School District #502

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(22.19%)	(22.19%)	(22.19%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

St Helens School District #502

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$16,767,981	\$22,108,561
Allocated pooled OPSRP UAL	942,839	929,692
Side account	31,681,231	29,326,414
Net unfunded pension actuarial accrued liability	(13,970,411)	(6,288,161)
Combined valuation payroll	13,334,622	13,190,342
Net pension UAL as a percentage of payroll	(105%)	(48%)
Calculated Side Account Rate Relief	(22.19%)	(19.72%)
Allocated Pooled RHIA UAL	\$184,565	\$276,739

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$29,326,414	\$29,326,414
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(2,149,868)	(2,149,868)
5. Side account earnings during 2013		4,506,685	4,506,685
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$31,681,231	\$31,681,231

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$13,221,692	\$12,255,714
Side Account 2	18,459,539	17,070,700
Side Account 3	0	0
Total	\$31,681,231	\$29,326,414

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$31,681,231	\$29,326,414
2. Combined valuation payroll	13,334,622	13,190,342
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(22.19%)	(19.72%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Stanfield School District/3942
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Stanfield School District/3942

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Stanfield School District/3942

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Stanfield School District -- #3942

September 2014

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Executive Summary

Milliman has prepared this report for Stanfield School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Stanfield School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Stanfield School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(17.51%)	(17.51%)	(17.51%)
Net pension contribution rate	4.29%	0.00%	3.79%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	4.82%	0.45%	4.24%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Stanfield School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$2,865,094	\$4,110,921
Allocated pooled OPSRP UAL	161,100	172,869
Side account	4,271,050	3,973,449
Net unfunded pension actuarial accrued liability	(1,244,856)	310,341
Combined valuation payroll	2,278,446	2,452,645
Net pension UAL as a percentage of payroll	(55%)	13%
Calculated Side Account Rate Relief	(17.51%)	(14.37%)
Allocated Pooled RHIA UAL	\$31,536	\$51,458

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,973,449	\$3,973,449
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(309,616)	(309,616)
5. Side account earnings during 2013		608,217	608,217
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$4,271,050	\$4,271,050

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$4,271,050	\$3,973,449
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,271,050	\$3,973,449

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$4,271,050	\$3,973,449
2. Combined valuation payroll	2,278,446	2,452,645
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(17.51%)	(14.37%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Sutherlin School District #130/3353
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Sutherlin School District #130/3353

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Sutherlin School District #130/3353

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sutherlin School District #130 -- #3353

September 2014

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Executive Summary

Milliman has prepared this report for Sutherlin School District #130 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sutherlin School District #130.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Sutherlin School District #130

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(19.91%)	(19.91%)	(19.91%)
Net pension contribution rate	1.89%	0.00%	1.39%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	2.42%	0.45%	1.84%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sutherlin School District #130

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$7,994,354	\$10,594,523
Allocated pooled OPSRP UAL	449,511	445,512
Side account	13,541,963	12,583,048
Net unfunded pension actuarial accrued liability	(5,098,098)	(1,543,013)
Combined valuation payroll	6,357,455	6,320,872
Net pension UAL as a percentage of payroll	(80%)	(24%)
Calculated Side Account Rate Relief	(19.91%)	(17.66%)
Allocated Pooled RHIA UAL	\$87,994	\$132,615

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$12,583,048	\$12,583,048
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(970,351)	(970,351)
5. Side account earnings during 2013		1,931,267	1,931,267
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$13,541,963	\$13,541,963

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$5,978,725	\$5,557,073
Side Account 2	7,563,239	7,025,974
Side Account 3	0	0
Total	\$13,541,963	\$12,583,048

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$13,541,963	\$12,583,048
2. Combined valuation payroll	6,357,455	6,320,872
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(19.91%)	(17.66%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Sweet Home School District #55/3618
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Sweet Home School District #55/3618

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Sweet Home School District #55/3618

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Sweet Home School District #55 -- #3618

September 2014

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Executive Summary

Milliman has prepared this report for Sweet Home School District #55 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Sweet Home School District #55.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Sweet Home School District #55

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(22.11%)	(22.11%)	(22.11%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Sweet Home School District #55

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$11,778,258	\$15,443,187
Allocated pooled OPSRP UAL	662,274	649,405
Side account	22,168,355	20,300,701
Net unfunded pension actuarial accrued liability	(9,727,823)	(4,208,109)
Combined valuation payroll	9,366,579	9,213,667
Net pension UAL as a percentage of payroll	(104%)	(46%)
Calculated Side Account Rate Relief	(22.11%)	(19.55%)
Allocated Pooled RHIA UAL	\$129,643	\$193,307

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$20,300,701	\$20,300,701
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,279,879)	(1,279,879)
5. Side account earnings during 2013		3,149,533	3,149,533
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$22,168,355	\$22,168,355

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$10,384,689	\$9,513,202
Side Account 2	11,783,666	10,787,499
Side Account 3	0	0
Total	\$22,168,355	\$20,300,701

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$22,168,355	\$20,300,701
2. Combined valuation payroll	9,366,579	9,213,667
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(22.11%)	(19.55%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Three Rivers U J School District/4338
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Three Rivers U J School District/4338

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Three Rivers U J School District/4338

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Three Rivers U J School District -- #4338

September 2014

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Executive Summary

Milliman has prepared this report for Three Rivers U J School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Three Rivers U J School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Three Rivers U J School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(11.48%)	(11.48%)	(11.48%)
Net pension contribution rate	10.32%	5.71%	9.82%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	10.85%	6.16%	10.27%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Three Rivers U J School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$26,062,658	\$36,437,870
Allocated pooled OPSRP UAL	1,465,465	1,532,256
Side account	25,470,265	23,405,715
Net unfunded pension actuarial accrued liability	2,057,858	14,564,411
Combined valuation payroll	20,726,150	21,739,451
Net pension UAL as a percentage of payroll	10%	67%
Calculated Side Account Rate Relief	(11.48%)	(9.55%)
Allocated Pooled RHIA UAL	\$286,872	\$456,103

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$23,405,715	\$23,405,715
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,548,657)	(1,548,657)
5. Side account earnings during 2013		3,614,207	3,614,207
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$25,470,265	\$25,470,265

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$25,470,265	\$23,405,715
Side Account 2	0	0
Side Account 3	0	0
Total	\$25,470,265	\$23,405,715

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$25,470,265	\$23,405,715
2. Combined valuation payroll	20,726,150	21,739,451
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(11.48%)	(9.55%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Tigard-Tualatin School District #23J/4316
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014

Tigard-Tualatin School District #23J/4316

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Tigard-Tualatin School District #23J/4316

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Tigard-Tualatin School District #23J -- #4316

September 2014

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Executive Summary

Milliman has prepared this report for Tigard-Tualatin School District #23J to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Tigard-Tualatin School District #23J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Tigard-Tualatin School District #23J

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(4.71%)	(4.71%)	(4.71%)
Net pension contribution rate	17.09%	12.48%	16.59%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	17.62%	12.93%	17.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Tigard-Tualatin School District #23J

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$69,581,404	\$95,664,322
Allocated pooled OPSRP UAL	3,912,460	4,022,800
Side account	27,886,064	26,040,948
Net unfunded pension actuarial accrued liability	45,607,800	73,646,174
Combined valuation payroll	55,334,134	57,074,956
Net pension UAL as a percentage of payroll	82%	129%
Calculated Side Account Rate Relief	(4.71%)	(4.05%)
Allocated Pooled RHIA UAL	\$765,884	\$1,197,457

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$26,040,948	\$26,040,948
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,117,299)	(2,117,299)
5. Side account earnings during 2013		3,963,415	3,963,415
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$27,886,064	\$27,886,064

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$27,886,064	\$26,040,948
Side Account 2	0	0
Side Account 3	0	0
Total	\$27,886,064	\$26,040,948

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$27,886,064	\$26,040,948
2. Combined valuation payroll	55,334,134	57,074,956
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(4.71%)	(4.05%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Tillamook Public Schools/3902
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Tillamook Public Schools/3902

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Tillamook Public Schools/3902

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Tillamook Public Schools -- #3902

September 2014

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Executive Summary

Milliman has prepared this report for Tillamook Public Schools to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Tillamook Public Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Tillamook Public Schools

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(22.65%)	(22.65%)	(22.65%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Tillamook Public Schools

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$11,100,587	\$14,762,904
Allocated pooled OPSRP UAL	624,170	620,798
Side account	21,404,230	19,891,661
Net unfunded pension actuarial accrued liability	(9,679,473)	(4,507,959)
Combined valuation payroll	8,827,666	8,807,799
Net pension UAL as a percentage of payroll	(110%)	(51%)
Calculated Side Account Rate Relief	(22.65%)	(20.04%)
Allocated Pooled RHIA UAL	\$122,184	\$184,791

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$19,891,661	\$19,891,661
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(1,540,274)	(1,540,274)
5. Side account earnings during 2013		3,053,844	3,053,844
6. Side account as of December 31, 2013 <i>(1. + 2. + 3. + 4. + 5.)</i>		\$21,404,230	\$21,404,230

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$21,404,230	\$19,891,661
Side Account 2	0	0
Side Account 3	0	0
Total	\$21,404,230	\$19,891,661

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$21,404,230	\$19,891,661
2. Combined valuation payroll	8,827,666	8,807,799
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(22.65%)	(20.04%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Umatilla School District #6R/3928
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Umatilla School District #6R/3928

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Umatilla School District #6R/3928

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Umatilla School District #6R -- #3928

September 2014

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Executive Summary

Milliman has prepared this report for Umatilla School District #6R to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Umatilla School District #6R.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Umatilla School District #6R

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(6.74%)	(6.74%)	(6.74%)
Net pension contribution rate	15.06%	10.45%	14.56%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	15.59%	10.90%	15.01%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Umatilla School District #6R

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$7,862,247	\$10,139,279
Allocated pooled OPSRP UAL	442,083	426,369
Side account	4,509,146	4,181,486
Net unfunded pension actuarial accrued liability	3,795,184	6,384,162
Combined valuation payroll	6,252,398	6,049,266
Net pension UAL as a percentage of payroll	61%	106%
Calculated Side Account Rate Relief	(6.74%)	(6.13%)
Allocated Pooled RHIA UAL	\$86,540	\$126,916

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$4,181,486	\$4,181,486
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(314,818)	(314,818)
5. Side account earnings during 2013		643,477	643,477
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$4,509,146	\$4,509,146

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$4,509,146	\$4,181,486
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,509,146	\$4,181,486

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$4,509,146	\$4,181,486
2. Combined valuation payroll	6,252,398	6,049,266
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(6.74%)	(6.13%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

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Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Union County School District/3966
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Union County School District/3966

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Union County School District/3966

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Union County School District -- #3966

September 2014

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Executive Summary

Milliman has prepared this report for Union County School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Union County School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Union County School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(14.71%)	(14.71%)	(14.71%)
Net pension contribution rate	7.09%	2.48%	6.59%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	7.62%	2.93%	7.04%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Union County School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$1,768,393	\$2,881,653
Allocated pooled OPSRP UAL	99,434	121,177
Side account	2,214,552	2,050,003
Net unfunded pension actuarial accrued liability	(346,725)	952,827
Combined valuation payroll	1,406,302	1,719,243
Net pension UAL as a percentage of payroll	(25%)	55%
Calculated Side Account Rate Relief	(14.71%)	(10.58%)
Allocated Pooled RHIA UAL	\$19,465	\$36,070

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$2,050,003	\$2,050,003
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(150,308)	(150,308)
5. Side account earnings during 2013		315,857	315,857
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$2,214,552	\$2,214,552

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$2,214,552	\$2,050,003
Side Account 2	0	0
Side Account 3	0	0
Total	\$2,214,552	\$2,050,003

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$2,214,552	\$2,050,003
2. Combined valuation payroll	1,406,302	1,719,243
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(14.71%)	(10.58%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

Warrenton-Hammond School District/3195
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014

Warrenton-Hammond School District/3195

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Warrenton-Hammond School District/3195

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Warrenton-Hammond School District -- #3195

September 2014

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Executive Summary

Milliman has prepared this report for Warrenton-Hammond School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Warrenton-Hammond School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Warrenton-Hammond School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(8.79%)	(8.79%)	(8.79%)
Net pension contribution rate	13.01%	8.40%	12.51%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	13.54%	8.85%	12.96%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Warrenton-Hammond School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$5,430,183	\$7,199,309
Allocated pooled OPSRP UAL	305,331	302,740
Side account	4,062,058	3,813,818
Net unfunded pension actuarial accrued liability	1,673,456	3,688,231
Combined valuation payroll	4,318,316	4,295,230
Net pension UAL as a percentage of payroll	39%	86%
Calculated Side Account Rate Relief	(8.79%)	(7.88%)
Allocated Pooled RHIA UAL	\$59,770	\$90,116

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$3,813,818	\$3,813,818
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(333,348)	(333,348)
5. Side account earnings during 2013		582,589	582,589
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$4,062,058	\$4,062,058

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$4,062,058	\$3,813,818
Side Account 2	0	0
Side Account 3	0	0
Total	\$4,062,058	\$3,813,818

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$4,062,058	\$3,813,818
2. Combined valuation payroll	4,318,316	4,295,230
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(8.79%)	(7.88%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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September 2014

West Linn School District/3075
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

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- Information to assist you in completing GASB 45 financial reporting requirements, and
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The remainder of the report provides additional information including:

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Additional information is provided in the system-wide valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
West Linn School District/3075

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
West Linn School District/3075

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

West Linn School District -- #3075

September 2014

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Executive Summary

Milliman has prepared this report for West Linn School District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to West Linn School District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for West Linn School District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(9.61%)	(9.61%)	(9.61%)
Net pension contribution rate	12.19%	7.58%	11.69%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	12.72%	8.03%	12.14%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

West Linn School District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$47,322,483	\$63,713,284
Allocated pooled OPSRP UAL	2,660,874	2,679,220
Side account	38,699,808	35,980,942
Net unfunded pension actuarial accrued liability	11,283,549	30,411,562
Combined valuation payroll	37,632,880	38,012,425
Net pension UAL as a percentage of payroll	30%	80%
Calculated Side Account Rate Relief	(9.61%)	(8.40%)
Allocated Pooled RHIA UAL	\$520,879	\$797,517

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$35,980,942	\$35,980,942
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(2,808,352)	(2,808,352)
5. Side account earnings during 2013		5,528,218	5,528,218
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$38,699,808	\$38,699,808

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$38,699,808	\$35,980,942
Side Account 2	0	0
Side Account 3	0	0
Total	\$38,699,808	\$35,980,942

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$38,699,808	\$35,980,942
2. Combined valuation payroll	37,632,880	38,012,425
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(9.61%)	(8.40%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.



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September 2014

Willamette Education Service District/4254
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Willamette Education Service District/4254

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Willamette Education Service District/4254

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Willamette Education Service District -- #4254

September 2014

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Executive Summary

Milliman has prepared this report for Willamette Education Service District to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Willamette Education Service District.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Willamette Education Service District

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(18.89%)	(18.89%)	(18.89%)
Net pension contribution rate	2.91%	0.00%	2.41%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	3.44%	0.45%	2.86%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Willamette Education Service District

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$16,982,752	\$25,221,779
Allocated pooled OPSRP UAL	954,915	1,060,606
Side account	27,299,059	24,928,283
Net unfunded pension actuarial accrued liability	(9,361,392)	1,354,102
Combined valuation payroll	13,505,417	15,047,741
Net pension UAL as a percentage of payroll	(69%)	9%
Calculated Side Account Rate Relief	(18.89%)	(14.69%)
Allocated Pooled RHIA UAL	\$186,929	\$315,708

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$24,928,283	\$24,928,283
2. Deposits during 2013		N/A	
3. Administrative expenses		(3,000)	(3,000)
4. Amount transferred to employer reserves during 2013		(1,503,663)	(1,503,663)
5. Side account earnings during 2013		3,877,440	3,877,440
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$27,299,059	\$27,299,059

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$19,264,543	\$17,590,000
Side Account 2	4,528,201	4,111,097
Side Account 3	3,506,316	3,227,186
Total	\$27,299,059	\$24,928,283

Development of Side Account Rate

The rate relief attributable to an employer's side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$27,299,059	\$24,928,283
2. Combined valuation payroll	13,505,417	15,047,741
3. Amortization factor	10.703	11.272
4. Total side account rate $(-1. \div 2. \div 3.)^1$	(18.89%)	(14.69%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Willamina School District #30J/4314
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014

Willamina School District #30J/4314

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Willamina School District #30J/4314

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Willamina School District #30J -- #4314

September 2014

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Executive Summary

Milliman has prepared this report for Willamina School District #30J to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Willamina School District #30J.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Willamina School District #30J

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(5.07%)	(5.07%)	(5.07%)
Net pension contribution rate	16.73%	12.12%	16.23%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	17.26%	12.57%	16.68%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Willamina School District #30J

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$4,443,816	\$5,783,607
Allocated pooled OPSRP UAL	249,869	243,208
Side account	1,916,003	1,768,591
Net unfunded pension actuarial accrued liability	2,777,682	4,258,224
Combined valuation payroll	3,533,914	3,450,598
Net pension UAL as a percentage of payroll	79%	123%
Calculated Side Account Rate Relief	(5.07%)	(4.55%)
Allocated Pooled RHIA UAL	\$48,913	\$72,395

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$1,768,591	\$1,768,591
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(124,508)	(124,508)
5. Side account earnings during 2013		272,920	272,920
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$1,916,003	\$1,916,003

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$1,916,003	\$1,768,591
Side Account 2	0	0
Side Account 3	0	0
Total	\$1,916,003	\$1,768,591

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$1,916,003	\$1,768,591
2. Combined valuation payroll	3,533,914	3,450,598
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(5.07%)	(4.55%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

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Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Winston-Dillard Schools/3349
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Winston-Dillard Schools/3349

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Winston-Dillard Schools/3349

This report is prepared solely for the use and benefit of the Oregon Public Employees Retirement System, the employer named above, or its auditors solely for the purpose of completing an audit related to the matters herein. To the extent that this report is not subject to disclosure under applicable public records laws, it may not be provided to other third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of this report. Milliman's consent to release this report to any third party may be conditioned on the third party signing a release except for situations where such release is prohibited by law.

No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Winston-Dillard Schools -- #3349

September 2014

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Executive Summary

Milliman has prepared this report for Winston-Dillard Schools to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Winston-Dillard Schools.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Winston-Dillard Schools

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(30.88%)	(30.88%)	(30.88%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Winston-Dillard Schools

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$6,556,981	\$9,915,695
Allocated pooled OPSRP UAL	368,689	416,967
Side account	17,233,896	15,847,124
Net unfunded pension actuarial accrued liability	(10,308,226)	(5,514,462)
Combined valuation payroll	5,214,394	5,915,872
Net pension UAL as a percentage of payroll	(198%)	(93%)
Calculated Side Account Rate Relief	(30.88%)	(23.76%)
Allocated Pooled RHIA UAL	\$72,173	\$124,118

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer's combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$15,847,124	\$15,847,124
2. Deposits during 2013		N/A	
3. Administrative expenses		(2,000)	(2,000)
4. Amount transferred to employer reserves during 2013		(1,060,657)	(1,060,657)
5. Side account earnings during 2013		2,449,430	2,449,430
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$17,233,896	\$17,233,896

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$7,707,043	\$7,091,235
Side Account 2	9,526,854	8,755,889
Side Account 3	0	0
Total	\$17,233,896	\$15,847,124

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$17,233,896	\$15,847,124
2. Combined valuation payroll	5,214,394	5,915,872
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(30.88%)	(23.76%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

This work product was prepared solely for Oregon Public Employees Retirement System for the purposes stated herein, and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



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September 2014

Yamhill-Carlton School District #1/4166
Oregon Public Employees Retirement System

Dear Sir or Madam:

As part of our engagement with the Oregon Public Employees Retirement Board, we performed a system-wide actuarial valuation of the Oregon Public Employees Retirement System (“PERS” or “the System”) as of December 31, 2013. The attached report, which is an informational supplement to the system-wide report, provides you with employer-specific contribution rates that will become effective July 1, 2015. Information is also provided to assist you in preparing your required financial reporting disclosures under Statement 45 of the Governmental Accounting Standards Board.

This report reflects the the benefit provisions in effect as of December 31, 2013. The full development of the valuation results for the Tier 1/Tier 2 School District Pool, OPSRP, and the Retiree Health Insurance Account (RHIA) can be found in the separate system-wide actuarial valuation report. Costs of the IAP (Individual Account Program) are not included in this or the system-wide report. Further, costs of pension obligation bond payments are not included in this or the system-wide report.

If you have any questions about this report, please contact Debra Hembree, Manager, Actuarial Analysis Section at Oregon PERS, at 503 603 7704 or Debra.Hembree@state.or.us.

Contents of Report

The executive summary provides the basic information you need including:

- Contribution rates for Tier 1/Tier 2, OPSRP general service, and OPSRP police and fire payroll,
- Information to assist you in completing GASB 45 financial reporting requirements, 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 valuation report, which is available at www.oregon.gov/PERS/section/financial_reports/financials.shtml.



September 2014
Yamhill-Carlton School District #1/4166

In preparing this report, 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.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which 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.

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 a 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 this report due to such factors as 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 additional cost or contribution requirements 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 appropriateness of the assumptions and adopted them as indicated in September 2013.

Some of the actuarial computations presented in this report are for purposes of determining the contribution rates effective from July 2015 to June 2017 for System employers. Other actuarial computations presented in this report under GASB Statement No. 45 are for purposes of assisting System employers in fulfilling their financial reporting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the System benefit provisions described in the appendixes of this report, and of GASB Statement No. 45. 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.



September 2014
Yamhill-Carlton School District #1/4166

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No third party recipient of this report should rely upon Milliman's work contained herein. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension 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. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Additional information is provided in the system-wide valuation report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Larrabee', with a long horizontal flourish extending to the right.

Matthew R. Larrabee, FSA, EA
Principal and Consulting Actuary

A handwritten signature in black ink, appearing to read 'Scott D. Preppernau', written in a cursive style.

Scott D. Preppernau, FSA, EA
Consulting Actuary



ACTUARIAL VALUATION REPORT DECEMBER 31, 2013

OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM

SCHOOL DISTRICT POOL

Yamhill-Carlton School District #1 -- #4166

September 2014

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Executive Summary

Milliman has prepared this report for Yamhill-Carlton School District #1 to:

- Provide summary December 31, 2013 valuation results for the Tier 1/Tier 2 School District Pool, Oregon Public Service Retirement Plan (OPSRP), and the Retiree Health Insurance Account (RHIA),
- Provide employer-specific contribution rates effective July 1, 2015 through June 30, 2017,
- Provide employer-specific information on side accounts as of December 31, 2013, and
- Provide reporting and disclosure information for financial statements for governmental agencies and pursuant to GASB Statement Number 45.

This report summarizes the valuation results for the School District Pool, OPSRP, and RHIA. The full development of these results can be found in the December 31, 2013 system-wide valuation report. This report develops advisory employer-specific side account rates and applies the results from the system-wide valuation to Yamhill-Carlton School District #1.

Employer Contribution Rates

The following table summarizes the employer contribution rates effective July 1, 2015 through June 30, 2017 for each type of payroll. There are separate normal cost rates for each of the payrolls based on the benefit structure supported by that payroll. The other rates apply to all payrolls regardless of the benefit structure to which they are attributed.

Employer Rates Effective July 1, 2015 for Yamhill-Carlton School District #1

	Payroll		
	Tier 1/Tier 2	OPSRP General Service	Police & Fire
Pension			
Normal cost rate	11.94%	7.33%	11.44%
Tier 1/Tier 2 UAL rate ¹	9.25%	9.25%	9.25%
OPSRP UAL rate	0.61%	0.61%	0.61%
Side account rate relief ²	(24.62%)	(24.62%)	(24.62%)
Net pension contribution rate	0.00%	0.00%	0.00%
Retiree Healthcare			
Normal cost rate	0.08%	0.00%	0.00%
UAL rate	0.45%	0.45%	0.45%
Net retiree healthcare rate	0.53%	0.45%	0.45%
Total net employer contribution rate	0.53%	0.45%	0.45%

In this report, the payroll of Tier 1 and Tier 2 members is referred to as Tier 1/Tier 2 valuation payroll. Combined valuation payroll refers to the payroll for Tier 1/Tier 2 members, OPSRP general service members and OPSRP police and fire members.

¹ Includes Multnomah Fire District #10 rate.

² The side account rate relief shown may be reduced for each individual payroll such that the net pension contribution rate for that payroll does not go below 0.00%.

Executive Summary

Employer Contribution Rates (continued)

Range of Potential Tier 1/Tier 2 Employer Pension Contribution Rates for the July 2017 to June 2019 Biennium

The rate collar limits changes in contribution rates for the rate pool, but does not limit changes in rates for individual employers related to side accounts. The table below shows the possible minimum and maximum rates for the School District Pool first effective as of July 1, 2017, which will depend on the funded status as of December 31, 2015. If the Pool's funded status excluding side accounts is less than 60 percent or greater than 140 percent, the rate collar doubles in size. If the Pool's funded status excluding side accounts is between 60 and 70 percent or between 130 and 140 percent, the size of the rate collar is increased on a graded scale. The rates shown are before any adjustment for side account rate offsets.

For comparison, the Pool's funded status as of December 31, 2013 is 85%.

Funded Status as of December 31, 2015	70% to 130%	Under 60% or Over 140%
July 1, 2015 Normal Cost + Tier 1/Tier 2 UAL Rate	21.19%	21.19%
Minimum July 1, 2017 Rate	16.95%	12.71%
Maximum July 1, 2017 Rate	25.43%	29.67%

For individual school districts, the School District Pool rate is adjusted for any rate relief provided by a side account rate offset.

Executive Summary

Accounting Information

Milliman is not an accounting or audit firm and cannot provide accounting advice. Milliman is not responsible for the interpretation of, or compliance with, accounting standards; citations to, and descriptions of accounting standards provided in this report are for reference purposes only. The information provided in this section is intended to assist the employer in completing its financial statements, but any accounting determination should be reviewed by your auditor.

Pension

Accounting information for the purpose of completing the reporting and disclosure requirements of GASB 27 was provided in prior valuation reports. In June 2012 the GASB issued Statement No. 68, which replaces GASB 27 and governs employer financial reporting for fiscal years beginning after June 15, 2014. The new standard replaces many of the key elements of the current reporting requirements. Under the new rules, employers will be required to record a balance sheet liability for their unfunded pension obligations. In addition, the timing and coordination of plan and employer reporting has changed under the new requirements. GASB 68 information for employers will be provided separately by PERS going forward and is not included in this report.

For employers with July 1 to June 30 fiscal years, the requirements of GASB 68 will first be effective for the fiscal year ending June 30, 2015. The valuation-related components of employer GASB 27 reporting for such an employer's fiscal year ending June 30, 2014 were developed and presented in the December 31, 2012 valuation report.

Executive Summary

Accounting Information (continued)

Retiree Healthcare

The Retiree Health Insurance Account (RHIA) is a cost-sharing pool under GASB 45. The contractually required contribution for retiree healthcare liabilities for the period July 1, 2015 through June 30, 2017 is calculated as a part of this valuation, and is expressed as contribution rates that are applied to the appropriate payroll. The rates and appropriate payroll are shown in the table below.

Contractually Required Contribution Rate

	Payroll		
	Tier 1 / Tier 2	OPSRP	
		General Service	Police and Fire
July 1, 2013 to June 30, 2015	0.59%	0.49%	0.49%
July 1, 2015 to June 30, 2017	0.53%	0.45%	0.45%

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Executive Summary

Principal Valuation Results

A summary of principal valuation results from the current valuation and the prior valuation follows. Any changes in actuarial assumptions, methods or plan provisions between the two valuations are described later in this report. More detailed information can be found in the system-wide report.

District-specific valuation results are only shown for districts with a side account as valuation results for districts without a side account are fully summarized by the School District Pool results, which are shown on the next page.

Yamhill-Carlton School District #1

	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Allocated pooled T1/T2 UAL	\$6,028,292	\$8,179,375
Allocated pooled OPSRP UAL	338,962	343,953
Side account	12,632,749	11,683,756
Net unfunded pension actuarial accrued liability	(6,265,495)	(3,160,428)
Combined valuation payroll	4,793,958	4,879,954
Net pension UAL as a percentage of payroll	(131%)	(65%)
Calculated Side Account Rate Relief	(24.62%)	(21.24%)
Allocated Pooled RHIA UAL	\$66,354	\$102,384

UAL amounts for the various pools (School District Tier 1/Tier 2 Pension, OPSRP, and RHIA) are allocated pro-rata based on the ratio of an employer’s combined valuation payroll to that of the applicable pool. This allocation differs from the proportional share UAL that will be allocated to employers under the new GASB 68 accounting standard.

Executive Summary

Principal Valuation Results (continued)

School District Pool

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$198.6	\$217.2
Tier 1/Tier 2 valuation payroll	1,663.0	1,769.0
Normal cost rate	11.94%	12.28%
Actuarial accrued liability	\$23,392.6	\$22,908.0
Actuarial asset value	19,967.8	18,329.6
Unfunded actuarial accrued liability	3,424.8	4,578.3
Funded status	85%	80%
Combined valuation payroll	\$2,723.5	\$2,731.5
UAL as a percentage of payroll	126%	168%
UAL rate (includes Multnomah Fire District #10)	9.25%	12.26%
Tier 1/Tier 2 Active Members		
▪ Count	32,499	35,602
▪ Average Age	51.4	51.1
▪ Average Service	17.2	16.7
▪ Average Valuation Payroll	\$51,171	\$49,687
Tier 1/Tier 2 Dormant Members		
▪ Count	13,923	15,150
▪ Average Age	53.8	53.9
▪ Average Monthly Benefit	\$1,007	\$1,052
Tier 1/Tier 2 Retirees and Beneficiaries		
▪ Count	62,324	59,968
▪ Average Age	71.3	71.2
▪ Average Monthly Benefit	\$2,071	\$2,040

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Executive Summary

Principal Valuation Results (continued)

OPSRP

(\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
General service normal cost	\$234.7	\$213.5
OPSRP general service valuation payroll	3,200.0	2,899.3
General service normal cost rate	7.33%	7.36%
Police and fire normal cost	\$45.5	\$40.1
OPSRP police and fire valuation payroll	398.1	349.9
Police and fire normal cost rate	11.44%	11.46%
Actuarial accrued liability	\$2,243.3	\$1,795.6
Actuarial asset value	1,630.2	1,190.0
Unfunded actuarial accrued liability	613.2	605.5
Funded status	73%	66%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	7%	7%
UAL rate	0.61%	0.60%

Retiree Healthcare

RHIA (\$ in millions)	Actuarial Valuation as of	
	December 31, 2013	December 31, 2012
Normal cost	\$4.0	\$4.4
Tier 1 / Tier 2 valuation payroll	5,073.7	5,341.7
Normal cost rate	0.08%	0.08%
Actuarial accrued liability	\$473.6	\$471.8
Actuarial asset value	353.5	291.6
Unfunded actuarial accrued liability	120.0	180.2
Funded status	75%	62%
Combined valuation payroll	\$8,671.8	\$8,590.9
UAL as a percentage of payroll	1%	2%
UAL rate	0.45%	0.48%

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Side Account Information

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	Continuing	Total
1. Side account as of December 31, 2012	N/A	\$11,683,756	\$11,683,756
2. Deposits during 2013		N/A	
3. Administrative expenses		(1,000)	(1,000)
4. Amount transferred to employer reserves during 2013		(859,613)	(859,613)
5. Side account earnings during 2013		1,809,607	1,809,607
6. Side account as of December 31, 2013 (1. + 2. + 3. + 4. + 5.)		\$12,632,749	\$12,632,749

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Side Account Information

Side Account Balances

	December 31, 2013	December 31, 2012
Side Account 1	\$12,632,749	\$11,683,756
Side Account 2	0	0
Side Account 3	0	0
Total	\$12,632,749	\$11,683,756

Development of Side Account Rate

The rate relief attributable to an employer’s side account is determined by amortizing the side account balance on the valuation date over a fixed period, and expressing the result as a percentage of combined valuation payroll. For side accounts established prior to December 31, 2009, the fixed period ends December 31, 2027. For side accounts established at a later date, the fixed period ends 18 years after the first rate-setting valuation following its creation.

	December 31, 2013	December 31, 2012
1. Total side account	\$12,632,749	\$11,683,756
2. Combined valuation payroll	4,793,958	4,879,954
3. Amortization factor	10.703	11.272
4. Total side account rate (-1. ÷ 2. ÷ 3.) ¹	(24.62%)	(21.24%)

¹ For employers with more than one side account, the Total Side Account Rate is determined by calculating the rate on each side account separately and adding the rates together.

Brief Summary of Actuarial Methods and Assumptions

A detailed summary of the actuarial methods and assumptions used to prepare the December 31, 2013, valuation can be found in the system-wide 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.</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.</p> <p>All existing Tier 1/Tier 2 UAL is re-amortized over a 20 year period as of the December 31, 2013 rate-setting valuation. Gains and losses between subsequent odd-year valuations will be amortized as a level percentage of 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>Contribution rates for a rate pool (e.g. Tier 1/Tier 2 SLGRP, Tier 1/Tier 2 School Districts, OPSRP) or independent employer are confined to a collar based on the rate pool's prior pension contribution rate (excluding side account rate offsets). The new contribution rate will not increase or decrease from the prior contribution rate by more than the greater of 3 percentage points or 20 percent of the current rate. If the funded percentage excluding side accounts drops below 60% or increases above 140%, the size of the collar doubles. If the funding percentage excluding side accounts is between 60% and 70% or between 130% and 140%, the size of the rate collar is increased on a graded scale.</p>

Economic Assumptions

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

<i>Net investment return</i>	7.75% compounded annually on system assets.
<i>Interest crediting</i>	<p>7.75% compounded annually on members' regular account balances starting in 2014.</p> <p>7.75% compounded annually on members' variable account balances starting in 2014.</p>
<i>Consumer price inflation</i>	2.75% per year.
<i>Future general wage inflation</i>	3.75% per year.
<i>Healthcare cost inflation</i>	Ranging from 6.1% in 2014 to 4.7% in 2083.
<i>OPSRP Administrative Expenses</i>	\$5.5 million added to OPSRP normal cost.

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Brief Summary of Actuarial Methods and Assumptions

Changes Since Last Valuation

The key changes since the December 31, 2012 actuarial valuation are described briefly below and are described in additional detail in the system-wide report.

Changes in Actuarial Methods and Allocation Procedures

There were no changes in actuarial methods and allocation procedures since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA actuarial methods and allocation procedures is provided as part of the system-wide valuation report.

Changes in Assumptions

There were no changes in assumptions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA assumptions is provided as part of the system-wide valuation report.

Brief Summary of Changes in Plan Provisions

There were no changes in plan provisions since the December 31, 2012 actuarial valuation. A complete summary of the Tier 1/Tier 2, OPSRP, RHIA, and RHIPA plan provisions valued is provided as part of the system-wide valuation report.

Glossary

Actuarial Accrued Liability. The portion of the present value of prospective benefits allocated to service and compensation before the valuation date in accordance with the actuarial cost method.

Actuarial Asset Value. The value of assets used in calculating the required contributions. The actuarial asset value may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses over a period of years in accordance with an asset valuation method.

Actuarial Assumptions. Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement and retirement; rates of investment earnings and other relevant items.

Actuarial Cost Method. Sometimes called “funding method,” a particular technique used by actuaries to establish the amount and incidence of the annual actuarial cost of pension plan benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily, the annual contribution to the plan comprises the normal cost and an amount for amortization of the unfunded actuarial accrued liability.

Actuarial Gain or (Loss). A measure of the difference between actual experience and that expected based upon a set of actuarial assumptions, during the period between two actuarial valuation dates, as determined in accordance with a particular actuarial cost method.

Agent Multiple-Employer Plan (Agent Plan). An aggregation of single-employer plans, with pooled administrative and investment functions. Separate accounts are maintained for each employer so that the employer’s contributions provide benefits only for the employees of that employer. A separate actuarial valuation is performed for each individual employer’s plan to determine the employer’s periodic contribution rate and other information for the individual plan.

Annual Required Contribution (ARC). A financial reporting calculation under GASB 27 that expresses the program cost as a percentage of payroll.

Combined Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for both Tier 1/Tier 2 and OPSRP active members. This payroll is used to calculate UAL rates.

Cost Sharing Multiple-Employer Plan. A single plan with pooling (cost-sharing) arrangements for the participating employers. All risks, rewards, and costs, including benefit costs, are shared and are not attributed individually to employers.

Employer Contribution Rate. Consists of the normal cost rate and the UAL rates, plus adjustments for other items such as side account rate offsets.

Funded Status. The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Glossary

Net Pension Obligation (NPO). The cumulative difference since the effective date of GASB 27 between annual pension cost and the employer's contributions to the plan, including the pension liability (asset) at transition, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to pension-related debt.

Normal Cost. The annual cost assigned to the current year, under the actuarial cost method in use. The normal cost divided by the applicable payroll is the normal cost rate.

OPSRP Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for OPSRP active members. This payroll is used to calculate OPSRP normal cost rates.

Pre-SLGRP Liability. The sum of Pre-SLGRP Pooled Liabilities and Transition Liabilities.

Pre-SLGRP Pooled Liability. The difference between the total UAL and the UAL attributable to the SLGRP for a pool of employers that joined the SLGRP. There are currently two pre-SLGRP pools. One was created for State Agencies and Community Colleges when the SLGRP was formed. The other one was created when the Local Government Rate Pool joined the SLGRP.

Present Value. Sometimes called "actuarial present value," the current worth (on the valuation date) of an amount or series of amounts payable or receivable in the future. The present value is determined by discounting the future payments at a predetermined rate of interest, taking into account the probability of payment.

Rate Collar. A methodology that defines the maximum period-to-period change in employer contribution rate. The width of the rate collar is determined by the current contribution rate and funded status.

Required Supplementary Information (RSI). Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The accounting standard governing a state or local governmental employer's accounting for pensions.

Statement No. 45 of the Governmental Accounting Standards Board (GASB 45). The accounting standard governing a state or local governmental employer's accounting for post-employment benefits other than pensions.

Statement No. 68 of the Governmental Accounting Standards Board (GASB 68). The accounting standard governing a state or local governmental employer's accounting for pensions for fiscal years beginning after June 15, 2014.

Tier 1/Tier 2 Valuation Payroll. Projected payroll subject to PERS employer contribution rates for the calendar year following the valuation date for Tier 1 and Tier 2 active members. This payroll is used to calculate the Tier 1/Tier 2 normal cost rate.

Transition Liability. The difference between the total UAL and the UAL attributable to the SLGRP for an individual employer that joined the SLGRP or the Local Government Rate Pool.

Unfunded Accrued Liability (UAL). The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The UAL is divided by combined valuation payroll and an amortization factor to determine an initial UAL rate. The final UAL rate can be adjusted by the rate collar.

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